Trading Desk - Risk Management Policy Document

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The following risk management rules govern all activities of this desk:

1. Maximum Exposure by Position
   - No single position may exceed 10% of the total portfolio value.
   - Maximum notional exposure per ticker is $1,000,000.

2. Volatility Controls
   - No trades permitted in instruments with 30-day annualized volatility greater than 50%.
   - Positions must be reduced if realized volatility exceeds twice the historical average.

3. Leverage and Margin
   - Desk leverage capped at 3:1.
   - Margin calls must be addressed within 24 hours or positions will be liquidated.

4. Liquidity Constraints
   - Only stocks with an average daily trading volume (ADTV) above 1 million shares can be traded.
   - Any security with bid-ask spread > 2% of current price is prohibited.

5. Stop-Loss and Profit-Taking
   - Mandatory stop-loss: maximum loss per position capped at 5% of entry value.
   - Profit-taking required once unrealized gains exceed 20% on a position.

6. Risk Assessment Prior to Trade

- Every trade must undergo pre-trade risk evaluation.
- Trader must provide volatility, beta, and liquidity assessment in the order proposal.

Risk breaches detected by the Risk Manager result in automatic rejection and escalation to the Chief Risk Officer (CRO).