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**COMPREHENSIVE OPTIONS TRADING RISK MANAGEMENT AND COMPLIANCE GUIDELINES**

**PREFACE: STATEMENT OF PURPOSE**

This document establishes the definitive risk management, trading, and compliance framework for Bitquity Capital Fund, llc (hereinafter "the Partnership"). These guidelines are designed to:

* Provide a structured approach to options trading
* Implement robust risk mitigation strategies
* Ensure transparent and disciplined investment practices
* Protect the interests of all partnership participants

**1. TRADING STRATEGY FRAMEWORK**

**1.1 Strategic Mandate**

* **Primary Investment Approach**: Conservative income generation through options selling
* **Core Strategy**: Systematic premium collection via defined-risk options strategies
* **Fundamental Objective**: Consistent, risk-adjusted returns with principal preservation

**1.2 Strategic Constraints**

* **Exclusive Focus**:
	1. Covered calls
	2. Cash-secured puts
	3. Defined-risk vertical credit spreads
* **Absolute Prohibitions**:
	1. Naked options trading
	2. Speculative multi-leg strategies
	3. Unlimited risk options positions

**2. COMPREHENSIVE RISK MANAGEMENT PROTOCOL**

**2.1 Position Sizing and Concentration Limits**

**2.1.1 Portfolio Allocation Restrictions**

* **Maximum Single Position Exposure**: 90% of total portfolio value
* **Sector Concentration Limit**: Maximum 90% exposure to any individual sector ( BITCOIN and BITCOIN equivalent Etf’s)
* **Underlying Asset Diversification**:
	1. Minimum 1 distinct underlying assets
	2. Preference for large-capitalization, high-liquidity securities, ETF’s (bitcoin)
* **Total Options Exposure**: Maximum 100% of portfolio net asset value (NAV)

**2.1.2 Risk Exposure Tracking**

* **Mandatory Daily Risk Metrics**:
	1. Portfolio Delta
	2. Portfolio Theta
	3. Implied Volatility Exposure
	4. Maximum Potential Loss (MPL)
	5. Margin Utilization Percentage

**2.2 Risk Mitigation Mechanisms**

**2.2.1 Automatic Risk Containment**

* **Portfolio-Wide Loss Limitations**:
	1. Daily Loss Threshold: 8% of total portfolio value
	2. Cumulative Loss Trigger: Mandatory comprehensive review at 8% portfolio decline
* **Individual Position Risk Controls**:
	1. Stop-Loss: 50% of initial premium received
	2. Mandatory position reduction protocols
	3. Automatic de-risking mechanisms

**3. OPTIONS TRADING OPERATIONAL GUIDELINES**

**3.1 Permissible Trading Strategies**

* **Authorized Strategies**:
	1. Covered Call Writing
	2. Cash-Secured Put Selling
	3. Vertical Credit Spread Construction
	4. Naked Option Positions
	5. Complex Multi-Leg Strategies
	6. Speculative Uncovered Transactions
* **Contract Selection Criteria**
* **Strike Price Parameters**:
	1. Preference for In-the-Money, At-the-Money, Out-of-the-Money (OTM) Options for Maximum Premium
	2. Minimum Contract Expiration: 1 calendar days
	3. Maximum Contract Expiration: 365 calendar days
* **Liquidity Requirements**:
	1. Minimum Daily Trading Volume
	2. Sufficient Open Interest
	3. Reasonable Bid-Ask Spread

**4. CAPITAL AND MARGIN MANAGEMENT**

**4.1 Capital Allocation Strategy**

* **Mandatory Cash Reserves**:
	1. Minimum 10% portfolio value maintained in cash equivalents/bitcoin
	2. Quarterly liquidity stress testing
* **Margin Utilization Protocols**:
	1. Maximum Margin Exposure: 80% of portfolio value
	2. Mandatory 20% Equity Buffer Maintenance
	3. Proactive Margin Call Prevention Strategies

**4.2 Liquidity Risk Management**

* **Quarterly Comprehensive Liquidity Assessment**
* **Contingency Cash Preservation Plan**
* **Emergency Liquidation Protocols**

**5. PERFORMANCE MONITORING AND REPORTING**

**5.1 Performance Metrics Tracking**

* **Key Performance Indicators (KPIs)**:
	1. Monthly Return Rate
	2. Sharpe Ratio
	3. Maximum Drawdown
	4. Average Premium Collection Efficiency
	5. Profit/loss

**5.2 Reporting Requirements**

* **Daily Reporting**:
	1. Comprehensive Position Report
	2. Real-Time Risk Exposure Dashboard
* **Weekly Assessments**:
	1. Risk Factor Analysis
	2. Strategy Performance Review
* **Monthly Comprehensive Review**:
	1. Detailed Performance Analysis
	2. Risk Management Effectiveness Evaluation
* **Quarterly Performance Analysis**:
	1. Strategic Alignment Review
	2. Compliance Verification

**6. COMPLIANCE AND OVERSIGHT FRAMEWORK**

**6.1 Internal Control Mechanisms**

* 1. Trade Compliance Checklist
	2. Post-Trade Performance Validation
* **Continuous Monitoring Protocols**:
	1. Real-Time Compliance Tracking
	2. Automated Violation Detection
	3. Immediate Reporting Mechanisms

**6.2 External Verification**

* **Quarterly Independent Audit**
* **Annual Third-Party Risk Assessment**
* **Regulatory Compliance Verification**

**7. TECHNOLOGICAL INFRASTRUCTURE**

**7.1 Trading Platform Requirements**

* **Technological Specifications**:
	1. Real-Time Risk Management Integration
	2. Automated Compliance Monitoring
	3. Advanced Encryption Standards
* **Operational Redundancy**:
	1. Backup Trading Systems
	2. Disaster Recovery Protocols
	3. Secure Data Preservation Mechanisms

**8. CONTINUOUS IMPROVEMENT METHODOLOGY**

**8.1 Strategic Evolution**

* **Quarterly Strategic Review**
* **Adaptive Risk Management Approach**
* **Continuous Learning and Optimization**

**9. EMERGENCY AND STRESS SCENARIO PROTOCOLS**

**9.1 Market Stress Response**

* **Predefined Market Condition Responses**
* **Rapid Deleveraging Procedures**
* **Capital Preservation Strategies**
* **Systematic Risk Reduction Protocols**

**10. LEGAL ACKNOWLEDGMENT AND AGREEMENT**

**10.1 Risk Disclosure**

The undersigned partners explicitly acknowledge and agree to the following:

* The inherent high-risk/volatility nature of Bitcoin Holdings/trading
* Potential for substantial financial loss
* Personal responsibility for understanding these guidelines
* Commitment to disciplined risk management

**10.2 Signatures of Acknowledgment**

**PARTNERS**:

1. Managing Partner Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Print Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Partner Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Print Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Partner Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Print Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**LEGAL COUNSEL CERTIFICATION**

Reviewed and Approved by: Legal Counsel Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Print Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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