

RISK MANAGEMENT POLICY

RISK MANAGEMENT SYSTEM: The Business model for Stock Broker consists of Stock Broker owned Branches and Business Associate Offices (Authorized Persons). The clients are linked or mapped to these branches or AP. Apart from the trades executed from Branches/ AP, there are certain clients who trade using the internet trading platform of Stock Broker. Controlling and monitoring of these trades are done from RMS/ surveillance dept.

Major Functions of RMS:

1. Allocating exposure to the clients' trading account and enabling the clients' to do trades.
2. Monitoring of orders & trades by clients. Checking of order rejections and increasing exposure, if required.
3. Monitoring the MTM profit/loss incurred out of trades, comparing the Actual Margin requirements of clients and the Total Margin available for clients on a one to one basis and initiating remedial actions, if required.

4. Decision making with respect to squaring off positions on account of MTM loss or Margin shortfalls or any other reasons that may arise.

TRADING:

Stock Broker is registered member of stock Exchanges which are having a settlement system of T+1 in Capital Market segment and Daily mark to market settlement & Final settlement in Futures & Options segment . Stock Broker is using various front end execution systems like BOLT, BOLT PLUS, NEAT, etc for trading in Capital Market and Derivatives segment. Exposures on such BOLT/BOLT PLUS/NEAT etc (Trading Terminals) are set by Stock Broker's RMS department and are done for each and every client based on the margin available with them.

EXPOSURE RULES:

Each and every client registered with Stock Broker needs to provide initial deposit by way of cheque or securities. On clearance of the cheque/securities in the account of the client, he/she will be able to put buy or sell orders through Stock Broker's trading platform.

The term 'Exposure' means the extent to which the client's deposit can be utilized for trading activities.

Stock Broker may have different exposure policy for Investors and day traders. Stock Broker may provide

exposure depending upon Exchange's VaR margin of particular security/scrip as may be applicable from time to time, in multiple of certain percentage or ad-hoc limit on case to case basis, for taking delivery positions in Capital Market. This may vary from time to time in accordance with the market conditions and client to client. Exposure can be availed based on respective client's securities held in various demat account of the Stock Broker, securities held in client's demat account having POA in favour of Stock Broker (securities shall be subject to a haircut in the valuation) and with available credit balance in the Account ledger.

In capital market the client is allowed to take the exposure on multiplier basis or ad-hoc basis which can be anywhere up to 10 times or higher of the client's deposit. Whereas, in Futures & options segment, where exchanges have stipulated fixed initial margins and exposure margin and such other applicable margins from time to time, it is compulsory to keep 100% margin either in the form of clear fund balance or as collateral securities. The client shall be obliged to pay higher margins as and when demanded by the Stock Broker.

The term Total Margin Available means the account balance available for the client in his ledger account. Collateral shares means the shares which are bought by the client in respect of which no payments are outstanding and are available in the client collateral account / collateral account. Securities kept in CUSA account can be



considered towards reporting of client's margin obligation in derivative segment after adjusting any debit balance in such client ledger, across all segments and Exchanges. Shares in client's own demat account (POA Account) could also be considered as collaterals for the purpose of trading in derivatives.

For availing the benefit of collateral margin, client needs to transfer the securities either to client collateral account or collateral account of Stock Broker as may be permissible. All the shares transferred as collateral can be considered for exposure after deducting an applicable haircut on the closing price of the shares.

However, Stock Broker may allow Trading in Newly Listed Shares & Illiquid Securities subject to certain conditions as it may deem fit and proper in its absolute discretion.

Newly listed shares, illiquid securities and Trade-to-Trade shares are subject to enhanced VaR margin and trading in these scrips are subject to the high market risks and rate fluctuations. Illiquid securities & Trade-to-Trade securities will have a daily price range and there are chances that these shares reach the upper DPR or Lower DPR during a trading day. Hence, the dealing in these securities will be subject to the permission from the RMS department and will be subject to the available credit balance only.

Newly listed shares usually do not have any DPR and hence, the chances for rate fluctuations are more. The dealing in newly listed shares will be restricted to the

available credit balance after considering the M-to-M levels.

Square off/ Liquidation:

In case of client having POA demat account with Stock Broker's DP, Stock Broker in his absolute discretion shall transfer the securities to such POA demat account despite non-payment/ partial payment by client. The client has to meet-up with his pay-in / dues / funds obligation in prescribed time limit as per prevalent RMS policy of Stock Broker. In all other cases of non-payment or partial payment, Stock Broker in its absolute discretion shall decide on case to case basis whether to retain full value of securities (in case of non-payment/ partial payment) or to transfer such unpaid client securities to client's demat account despite the client having debit balance or moving to Client Unpaid Securities Account (CUSA) or dispose-off the securities (in case of non-payment) within 5 trading days from the date of pay-out. Stock Broker may sale securities lying in client collateral / collateral account based on client's specific instruction and can consider the same towards such unpaid securities provided clear funds are received within such 5 trading days. Stock Broker shall, on a demand made by client, release the securities to the client to the extent of the amount received or lying to the credit of the client.



Stock Broker may take such decision w.r.t. transfer of securities from Pool / Unpaid Securities demat account to Clients' own demat Account / CUSA on case to case basis. In case where Securities are transferred to CUSA then Stock Broker shall be at liberty to sell such client's securities as per prevalent market rate of such securities from time to time to the extent of unpaid amount. However, Stock Broker upon receipt of instruction from client may also sell the securities of respective client lying in "Client Collateral Account" instead of securities lying in CUSA and consider the said credit amount towards unpaid securities. Stock Broker shall not be held responsible if it is unable to sell the unpaid securities within 5th day from pay-out date due to reasons such as inactive/suspended shares/securities, lower circuit, litigations, regulatory enforcement / court directions, other trading restrictions like GSM or any other reason specified from time to time.

Stock Broker shall proceed further with disposing off securities as per Client's instructions. If no instructions, then Stock Broker may dispose-off client's securities lying in any demat account viz. CUSA/POA/Pool/Collateral/client collateral etc and resultant profit or loss on such sale transaction shall be transferred to or adjusted from respective client account. Selection of scrip and quantity from any or combination of demat account viz. CUSA/POA/Pool/Collateral/ client collateral etc shall be at the sole discretion of Stock Broker. Should Stock Broker opt for liquidation of client securities in case of non-payment within 5 days from the pay-out date, no



pre-order confirmation is required to be obtained, as this being SEBI circular mandate.

Clients shall monitor various communication from Stock Broker towards the outstanding due viz. daily margin statement, contract notes. Bills, email and SMS communication apart from various information hosted on back office, internet trading terminals etc for promptly settling the debit balances/ margins. The said communication/ information shall be construed as sufficient communication and warning bell to client for settling his outstanding. Failure to comply shall lead to disposing off the client's stocks or liquidating the client's open position by the Stock Broker without any further notice or pre-order communication.

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Member : Bombay Stock Exchange Ltd.

In case Stock Broker is unable to transfer the securities to client's BO account due to any legitimate reasons, Stock Broker may proceed to liquidate the securities lying in demat accounts and transfer the funds to the bank account of the client. If Stock Broker is unable to transfer the funds due to client's bank account becoming dormant and client is not contactable, Stock Broker shall set aside such funds till the client is contactable and correct bank account details are obtained.

Further, in running account authorization w.r.t. clauses applicable to settlement of securities shall deemed to be deleted in terms of SEBI circular dated 20/06/2019. The above provisions of RMS policy shall apply mutatis

mutandis to the policies and procedure of Stock Broker. Excess securities held in “Collateral/ Client Collateral” account shall be released to client at the time of monthly/ quarterly settlement of client accounts after making necessary retention as per regulatory directions. Client hereby agrees and authorises Stock Broker to pledge/ transfer his securities (lying with Stock Broker) with/ to Clearing Member/ Clearing Corporation.

In case of securities where inter depository transfers are not available (viz. SGB, G-Sec etc), client shall be required to open additional demat account with such other depositories and intimate the Stock Broker forthwith, the details of such account for transfer of securities. In absence of communication from client, it shall be presumed that the client do not have account with such other depository and the securities shall by default be transferred from Pool/ CUSA to client collateral account of the Stock Broker. The Stock Broker shall further be at liberty to charge and recover custodian charges on the securities so held and/ or dispose-off such securities. Such securities so held in collateral/ client collateral account shall not be subject to quarterly settlement.

PRECAUTIONARY MEASURES BEING ADOPTED DURING MARKET VOLATILITY:

As a part of risk management system, Stock Broker has inducted separate team who is monitoring the exposures of clients / authorized persons on real-time basis. During



market fall, Stock Broker monitors the position of respective client as well as authorized persons like his credit balance available with it, securities lying with it etc. and depending upon the same, Stock Broker allow them to transact or create the position or to enhance/ reduce their position/ exposure. At the same time, Stock Broker has to consider respective client's trade history/ past, financial capacity and/or credit worthiness and referrals. In case, there is debit balance, client shall provide sufficient margin / securities / funds to carry out his request for fresh buying or to create fresh position.

Disclosure: In order to protect its interest, Stock Broker reserves its right to alter / amend this RMS policy or any part thereof in its absolute discretion from time to time considering its prevalent RMS policy and market conditions or as per the regulatory requirements by displaying the same on its website. Clients are being advised to refer website of Stock Broker w.r.t. prevalent RMS policy, Policies and Procedures and such other terms and conditions before entering into any transactions with Stock Broker. In case of any query or for further understanding, client may approach the compliance department on Telephone No. 02235671486.



This policy is considered and approved by Board of Dhyan Stock Broking Pvt. Ltd.

For Dhyan Stock Broking Pvt. Ltd

Manthan Mehta

Compliance Officer

Place: Mumbai



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