DBFS SECURITIES LIMITED

RISK MANAGEMENT POLICY

(Including policies on Exposure, Limit setting, Squaring-off of positions for non-payment of funds and margin and Voluntary freezing/blocking of trading account)

1. INTRODUCTION

Risk is the potential harm that may arise from some present process or some future event. It is often mapped to the profitability of some event which is seen as undesirable.

Risk is the possibility that the outcome of an action or event could bring up adverse impacts and such outcomes may either result in a direct loss of revenue or capital. It may also result in bottlenecks in achieving organizational objectives or taking benefit of opportunities to enhance its business.

2. RISK MANAGEMENT

Risk management is the process of measuring or assessing risk and then developing strategies to mange the risk. Risk management is a crucial task in brokerage industry. It is a core business function which is to be implemented in each business activity such as client registration, limit and exposure setting, collection of funds, margin collection etc. Risk management at DBFS Securities Ltd. is considered as a main stream process involving all departments, employees and business processes.

3. MARGINING AS EFFECTIVE RISK MANAGEMENT TOOL

Margining is the major risk management tool resorted to by brokerage entities. This Policy document is a guideline to be followed by the Company for its clients in normal circumstances. However, the Management comprising Executive Directors and Senior Level Managers shall reserve its right to take necessary/extraordinary steps in case of any exigency or in a situation which require it to take pro-active steps to avert market risk which may arises due to any circumstance forcing the market to downturn or react abnormally or against the client position. Clients are required to maintain exchange set margins in their account.

4. BROADER CLASSIFICATION OF MARKET CONDITIONS

For the smooth functioning of the Risk Management, we have broadly classified the market conditions into three:-

- Normal market condition (Maximum change of nifty index upto 2-3%, over previous three trading days or 1% on T day)
- Cautious market condition (change in nifty index between 4-5%, over previous three trading days or 1-2% on T day)
- Abnormal market condition (If any changes in index volatility above 5% over previous three trading days or over 2% on T day)

The above mentioned percentages are only indicative in nature; the Sr. Manager in charge of risk management shall in consultation with the Management, assess the overall market condition on a continuous basis and fine-tune the risk management strategies and initiate necessary steps on a need-based approach.

5. Hierarchy of Risk Management

Risk Management at the primary level is the responsibility of the respective Branches. At the secondary level, RO shall monitor the trading and exposures of all clients under their region. At the highest level, risk management shall be overseen and administered by the HO RMS.

6. Exposure & Limit Setting Based on Available Margin

A major tool for risk management is margin based limit setting done at client level. The Limit Setting Matrix is as follows:

Segment	**Margin**	**What is treated as Margin**	**Limit**
Cash Market - Intraday	Exchange VaR Margin with minimum of 20%	Account Balance , Payment done through payment gateway, UPI, Cheque received, Securities pledged in the margin pledge account.	Up to 5 times based on the VAR margin of the security.
Cash Market – Delivery	Exchange VaR Margin with minimum of 20%	Account Balance , Payment done through payment gateway, UPI, Cheque received, Securities pledged in the margin pledge account)	Up to 5 times based on the VAR margin of the security.
Futures	SPAN + Exposure Margin	Account Balance , Payment done through payment gateway, UPI, Cheque received, Securities pledged in the	Maximum available based on Exchange set Margins

		margin pledge account)	
Futures - Intraday	SPAN + Exposure Margin	Account Balance , Payment done through payment gateway, UPI, Cheque received, Securities pledged in the margin pledge account	Maximum available based on Exchange set Margins with additional flexibility
Options - Buy	Premium Amount	Account Balance , Payment done through payment gateway, UPI, Cheque received.	Available Margin in the Account.
Options - Sell	SPAN + Exposure Margin	Account Balance , Payment done through payment gateway, UPI, Cheque received, Securities pledged in the margin pledge account)	Maximum available based on Exchange set Margins

The above matrix for Limit Setting is applicable only for normal market conditions. In cautious and Abnormal market conditions, the management may fix stringent margining policy and lower multipliers for limit setting. The Head – Trade Support shall set the limits in consultation with the RMS.

7. What are treated as Margin?

- Client's Account Credit in any segment/ exchange
- Cheque/ DD received at the branch and deposited in the Company's bank account and pay-in reported
- Margin pledge

8. Procedure for Closing-Out of Positions

- **Cash Market – delivery positions:**
  - In case of Cash Market, where delivery is taken by the client the Company is required to make the pay-in to the exchange on T+ 1 day morning. Accordingly the customer is required to ensure credit in the account before such time. If the pay-in is delayed, the procedure for square-off is as follows:
  - In case of delay in pay-in, the securities will be sold on 5th day from the date of settlement.
  - The above processes will take place on a continuous basis on all days.

- In spite of the above procedure for closing out, depending on market conditions, the company may close out the trade even before 5th day from the date of settlement day, for effective risk management/ funds management.

- **Intraday for Equity and FAO:**
  - The intraday positions in equity as well as FAO are squared off adequately ahead of market closing so as to avoid any losses due to technical hassles or other eventualities. Admin message may be sent at 3.00 PM informing the clients to close intraday positions. RMS may give time upto 3.20 PM to close these positions failing which RMS shall clear intraday positions.
- **F&O Segment:**
  - Mark to Market margin as imposed by the exchanges shall be collected in cash (Cheque / Account Transfer) from clients, who have overnight positions in the FAO segment. Securities as margin shall not be accepted for M2M losses. If M2M losses are not paid, positions may be squared off by the RMS.

9. REPORTING OF SUSPICIOUS ACTIVITY AND REQUESTING FOR FREEZING / BLOCKING OF TRADING ACCOUNT

Clients can report suspicious activities on their trading account and request for freezing/ blocking of their trading account through any one of the following modes:

- By mailing on the dedicated email ID: **stoptrade@dbfsindia.com** (request to be made from the client's email id registered with DBFS)
- By calling the dedicated number: **+91-9633396948** (between 8:30 am and 5:30 pm) call to be made from the client's number registered with DBFS

10. VERIFICATION OF AUTHENTICITY OF REQUESTS FOR FREEZING/BLOCKING OF TRADING ACCOUNT

- In case of clients calling to the dedicated number it shall be verified that the call originated from the client's phone number registered with DBFS. The authenticity of the caller shall be verified by DBFS with additional authentication methods.
- In case of clients emailing to the dedicated email id, shall be verified that the email originated from the client's own email id registered with DBFS. The authenticity of the mail shall be verified by DBFS with additional authentication methods.

- Clients are requested to give relevant and detailed information regarding the suspicious activity they have noticed on their trading accounts. DBFS may seek additional details about the request in order to understand the request or to verify its authenticity and the clients are requested to co-operate with DBFS on the same.

11. Procedure for freezing / blocking of trading account

- Upon receipt of the client's request for freezing / blocking of online trading facility of his/her/its trading account and necessary verifications, DBFS shall undertake the following on best efforts basis:
  - For requests received during the trading hours and within 15 minutes before the start of trading, DBFS to block the account within 15 minutes.
  - For requests received after trading hours and upto 15 minutes before the start of trading, to block the account before the start of the next trading session.
- Post freezing/blocking the client's trading account, DBFS would send a communication on the registered mobile number and registered e-mail ID of the client, stating that the online access to the trading account has been frozen / blocked and all the pending orders in the client's trading account, if any, have been cancelled.
- DBFS shall also communicate details of open positions (if any) to the client along with contract expiry information within one hour from the freezing / blocking of the trading account.

12. Procedure to Unfreeze/ Unblock the Trading Account

- Clients can unfreeze/unblock their trading accounts by raising a request
- Along with the request for unfreeze / unblock of their trading account, clients shall also complete Re-KYC procedure.

13. Clarifications Regarding Freezing/Blocking of Trading Accounts

- Freezing/blocking is only for the online access to the client's trading account, and there shall be no restrictions on the Risk Management activities of DBFS.
- The request for freezing/ blocking does not constitute request for marking client Unique Client Code (UCC) as inactive in the Exchange records.

14. Review of Policy

- This policy will be reviewed by the Designated Director and Board of Directors on regular Basis.
- Updated version of this policy was placed before the Board of Directors and was reviewed and adopted in the Board Meeting held on 27th April, 2024.