<u>**Destimoney - Risk Management Policy**</u>
<u>**Equity - Offline & Online**</u>

1.   <u>**Preamble / Objective: -**</u>

Risk management is an integral part of the DESTIMONEY approach to decision-making and accountability. The objective of the Risk Management is to manage the risk without hurting the normal & routine business and its growth.   It is also to be continuously updated / reviewed based on the market scenario / market feedback / competition within the objective of managing risk along with potential threats to the organization and profitable growth. The objective is also to give clear-cut direction and communication at all relevant levels i.e. business acquisitions & servicing and business management (support group) to cut the time-lag / delays in decision making and to provide better & personalized services to our esteemed customers.

Trading time: It starts at 9.00 am and continues till 3.30 pm

2.   <u>**Risk Management Policy:**</u>

<u>**Exposure Limit**</u>

Client Category	Cash Market (Intraday) with time base Square Off or M2M whichever is earlier	Delivery	Futures & Options Position with M2M Square off (Intraday) of Span + Exposure Margin	Futures & Options Position with M2M Square off (Carry Over) of total applicable Margin
A	Security specific (depending upon haircuts / multipliers specified by RMS)	Security specific (depending upon haircuts / multipliers specified by RMS)	2 to 10 times	1
B	Security specific (depending upon haircuts / multipliers specified by RMS)	Security specific (depending upon haircuts / multipliers specified by RMS)	2 to 5 times	1
C	Security specific (depending upon haircuts / multipliers specified by RMS)	Security specific (depending upon haircuts / multipliers specified by RMS)	2 times	1
PCG	Security specific (depending upon haircuts / multipliers specified by RMS)	Security specific (depending upon haircuts / multipliers specified by RMS)	2 to 10 times	1

The exposures provided hereinabove may be changed if required based on the market condition existing on a particular day. The changes so done would be at the discretion of the RMS department.

Single Order Limit

In order to prevent / limit untoward incidents of wrong price punching / away from market price punching, there will be a single order limit in terms of quantity and amount.

The maximum single order in the cash market would be restricted to 600000 shares or Rs.60,00,000/-.
The maximum single order value in the Futures & Options market would be restricted to Rs.10,00,00,000/-.

The same may be reviewed and changed from time to time.

Allowed Contracts

Trading would be restricted to first 2 month contracts. However, if a client wishes to trade in the disallowed contracts, the RM would be required to seek approval of the RMS team which in turn would allow trading in the requested contract based on whether the client has sufficient limits available etc.

Banned Contracts

The stock exchange(s) provide a list of restricted contracts based on Market Wide Positions crossing the threshold limit. Once a contract reaches the threshold limit, further position accumulation is banned and only offsetting trades are wherein positions would be reduced is permitted. As and when the stock exchange(s) announces a banned contract, we would also be placing a similar restriction on all the clients. Fresh positions would be barred and only square-off positions would be allowed. However, rollover of positions would be permitted as long as the positions remain constant at the end of the day.

The possible exception to the above would be for the clients who are allowed to trade in INTRADAY product in futures segment wherein they may be allowed to trade in these contracts but the system would ensure that the positions are squared-off before end of day.

3. **Categorization of the clients.**

Categorization of the clients is to be done on monthly basis.

A – Category

i)   Clients with intraday / position trades with a deposit of Rs.2 Lacs + with no previous track record of cheque bouncing during last 3 months and/or last 3 chq pay-in's.
ii)   Clients opting for Subscription Scheme of Rs 25000/- or above.

B – Category

i)   Clients with intraday / position trades with a deposit of Rs.1 Lacs+ with no previous track record of cheque bouncing during last 3 months and/or last 3 chq pay-in's.

ii)   Clients opting for Subscription Scheme of Rs 5000/- or above but less than Rs 25000/-.

C – Category

i)   Clients with intraday / position trades with a deposit of Rs. 0.50 Lacs+ with no previous track record of cheque bouncing during last 3 months and/or last 3 chq pay-in's.

PCG :

i)   Clients with intraday / position trades with a deposit of Rs.5 Lacs + with no previous track record of cheque bouncing during last 3 months and/or last 3 chq pay-in's.

The Business Head / Zonal Head is authorized to provide approval for change in intraday limits for clients not meeting the above norms.

4. Position Square off

Intraday Square off (Time Based)

All Intraday cash market positions will be squared up on or after 3.10 pm or on M2M loss of 50% / 60% / 70% / 80% (as applicable) whichever is earlier.

M2M Losses based:-

All clients have to be subject to square off mode at m2m loss reaching 70% (or such other % as may be decided from time to time) of the capital available (opening + during the day) and all positions shall be squared-off at available market rate as soon as m2m loss reaches 70% (or such other % as may be decided from time to time) of the capital available. RMS team shall on a priority, square up all outstanding positions in Cash Market Intraday under margin and all outstanding positions in Futures & Options market.   Outstanding positions of the clients in Delivery would also be squared-off by the RMS Team, if required.

Clients should note that they should not convert the previous day(s) option buy positions from NRML to MIS since by doing so, no additional margin is released. Such conversions may also lead to positions getting squared-up, which is a risk that can be avoided. For the purpose of option buy, premium is required to be paid and the same is debited to the financial ledger. Conversion of previous day's buy position would result in the option being converted at the current

market price instead of the '0' (zero) price at which it has been brought forward at begin of day.

The currently applicable m2m loss percentages are as follows:

Sr. No.	Multiplier	MTM Sq-off initiation %
1.	Where intraday multipliers are upto 5x (either option buy or sell).	70%
2.	Where intraday multipliers are between 6x and 9x (either option buy or sell).	60%
3.	Where intraday multipliers are between 10x and 14x (either option buy or sell).	50%
4.	Where intraday multipliers are between 15x and 20x (either option buy or sell).	40%

The MTM square-off percentages would change and continue to become lower as the leverage provided increases.

The MTM square-off would also consider a nominal amount of brokerage and other taxes and charges which are levied. These charges would not be exact but be levied on an ad-hoc basis so as to cover a part of the actual amounts.

The multipliers that the client would be eligible for based on the available margin would be as follows:

Sr. No.	Available Margin (Cash balance + Collateral Value after prescribed haircut)	Max. Intraday Multiplier (subject to receipt of approval)
1.	Less than Rs.10,000/-	5x
2.	Rs.10,000 to Rs.49,999/-	10x
3.	Rs.50,000 to Rs.99,999/-	15x
4.	Above Rs.1,00,000/-	20x

All multipliers above 5x would be available for Indices only i.e. stock futures and options would not be provided a leverage above 5x.

The multipliers that will be provided are subject to receipt of approvals. Once the approval has been received, the client would be allocated the multiplier, subject to meeting the above norm. The allocated multiplier may change on a daily basis based on the available margin in the client's account at the begin of day.

Margin square-off:

In all cases wherein there is a margin erosion of 70% during a trading day, the client would not be allowed to carry forward their positions to the next trading day. All carry forward positions would be squared-up after 3.15 p.m. wherein the margin erosion of the client is 70% or above.

Deposit / Capital Available Calculation:

The client will be given credit as capital available as per the following formula:-

Capital Available = Ledger Balance + Margin Deposits + Collateral (permissible stocks after hair-cut) + Ben stocks (permissible stocks after haircut)

Kindly note that POA stocks (permissible stocks after hair cut) would not be considered for the purpose of F&O and Currency Derivatives segment.

5. Computation of Capital Available: -

The following files will be imported from LD backoffice to MATRIX/NEST: -

a.) F&O Net Position= Opening position for the day in F&O Segment.

b.) Beneficiary Stock** = Stock lying Pool Beneficiary account (enabling the client to sell stock in hand when his/her limits are zero)

c.) POA Stock** = Stock lying in POA account

d.) Deposit / Net Available Margin= Available Margin for trading (The basis for Net available margin can be viewed from "Margin funding risk monitor" report in LD.)

Formula: -

Capital Available / Net Available Margin = Financial Balance+ Beneficiary Stock + POA Stock + Cash Margin – Bill Margin – F&O Notional (option premium)

Parameters considered for Net available margin of the client: -

Financial Balance = Ledger balance – outstanding settlements.

a.) Beneficiary Stock= Stock lying in Pool A/c

b.) POA stock = Stocks lying in the DP account with POA

c.) Collaterals = Stock of client in Margin account

d.) Cash Margin= Funds received against margins.

e.) Bill Margin = Margin due in F&O segment

f.) F&O Notional = F&O loss/Option loss to be settled

g.) F&O Exposure = Gross exposure of F&O

h.) Gross Exposure === Beneficiary Stock + Collateral + Cash Margin + F&O Exposure + Outstanding Sales – Net Available Margin.

If customer margin/obligation falls short of the required amount in the respective exchange, then the balance amount would be considered from the other exchange/s ledger if available.

6. **Limit against POA / Collateral Account Shares**

Stock Type	Exposure/Limit	Credit for sale	Allowed for Selling
Beneficiary (Pool)/Collateral	YES	YES	YES
POA Stock	NO	YES	YES

Stocks in DESTIMONEY Pool /Collateral A/c:

These stocks shall be imported in frontend and considered for deposit computation of the client. The client will be allowed to sell the same and undertake intra-day exposure within the margin limit permissible.

Stocks with DESTIMONEY DP with POA:

Such stocks shall be treated at par for the purpose of computing the deposit. Trading limits may be provided in Cash Market. Trading may not be allowed in F&O and Currency segment against such securities.

Hair Cut of the Collateral / POA Shares

The Shares in Collateral / POA would have a haircut as specified by the RMS department. However, certain stocks would have a haircut of 100% as decided by the Risk Department.

Control on Debit Balances

A)   Covered by Collateral :

To ensure that the clients do not carry the debit balances (covered by Collateral with us) permanently, the following Policy will be adopted:-

a) Debit balance shall be permitted against Stock for not more then T + 5 days.

b) On T+5 day, the client's further buying on Delivery basis shall be suspended. And stock needs to be sold /liquidated by 2:00 pm on the T+5 day by the RM / Dealer / sub-broker, else the same shall be squared off by HO RMS Team and/or in case of M2M loss of 70%, whichever is earlier.

B) <u>Uncovered / Likely to get Uncovered:</u>

Debit balance of any client shall not exceed 70% of the value of the collateral with us. On reaching 70% or above, client shall be requested through the branch to either get the payment / additional collateral and/or liquidate the stocks / positions to clear the debit balance. Else, HO RMS team shall liquidate the said stocks / positions the moment the M2M loss reaches 70%.

A daily DSR (debit balance vs. collateral value report) will be provided to all branches each day in the morning latest by 9:00 am by HO RMS team. Such report is / shall be computed by LD software.

C) **Cheque Entry and credit to the client**

- The cheque / instrument showing under clearing in the bank account. The exposure would be provided once the cheque has been cleared and credit received in our bank account.

- Online fund transfer facility (Other than payment Gateways) is available to the clients with designated banks to transfer online funds to us. In such case we would be giving credit within 30 minutes of it's reflection in our bank account as it is being presently done for online clients transferring online funds.

D) **Cheque issuance and payment to the client**

- All such requests shall be centrally processed and the client's ledger account would be debited at the time of issuance. However, all such payments would be made in consultation with the RMS team so that no exposures / limits in lieu of such credit is utilized by the client. At the time of issuance of the pay-out cheque exposures / limits would be reduced accordingly by the RMS team.

E) **Collateral Shares as a margin**

- Company will accept shares as collateral towards margin subject to appropriate haircut. All such credits shall be given only after receipt of shares in the company's designated DP Account. Also, such shares must come to the designated DP ID from the respective client's defined DP ID, only, else it shall be treated as third party and no credit shall be given against the same. The RMS team shall update the value of such collateral on the daily basis (BOD) and accordingly deposits / capital available shall be updated to the respective client(s) towards margin / exposures.

- Margin by way of shares / collateral shall not normally exceed 50% of the capital available / applicable margin to take care of daily m2m losses, if any.

- In case client asks for such shares back, then these shares would be transferred only to the respective clients designated DP ID only, after reducing the capital available / exposure / limits for the respective client.

F) Enhancement of limit during the day shall be prerogative of the RMS – Head and all such authorizations shall be based on recorded requests from the Branch Manager / sub-broker, subject to no chq bouncing / default track record, etc :-

   i) Based on the photocopy of the DD received (*all DDs must be in the name of the Company and must mention the client code in which the proceeds of the DD are to be credited.*) (*for example : Destimoney Securities Pvt Ltd – client code no MUM2348*)
   ii) Based on the scan copy of the cheque
   iii) Based on the physical chq instrument at the branch / sub-broker
   iv) Based on the assurance / confirmation from the branch manager / sub-broker, that cheque will be deposited on T+1, morning.

This enhancement shall be applicable upto next day evening (T+1). If the cheque does not show under clearing T+1 day evening, such enhancement will not be considered from T+2 day morning onwards (preferably from 7pm of T+1 day itself) and excess positions have to be squared up by the Branch and otherwise by HO RMS.

4. **Deviations Recording, Authorization and Reporting :-**

- Recording of deviations and authorization in a separate register and reporting to the Board on monthly basis.

5. **Review Audits of the RMS functioning**:

- Review / Audits of the RMS functioning shall be conducted / undertaken by Management and/or external agencies from time to time, preferably every quarter and/or on the basis of the volume / feedback received from branches / franchisee.

Operational Compliance:-

    a.) Strong Compliance at the client registration like in-person verification, KYC calling, welcome letter, mobile and email id verification.

    b.) Contract Notes :
       - Digital Contract Notes
       - Physical Contract Note

    c.) All bounced mails shall be verified and corrected.

    d.) Daily Obligation Confirmation segment wise via SMS**.**

    e.) Quarterly /Monthly Physical Statement of A/c would be sent to the clients. Efforts would be made to provide daily SMS about the day's trade result summary/m2m profit/loss & Ledger balance

    f.) All communications would be made preferably on recorded telephone lines and thru messenger chat for which the backup will be kept for a year. All requests will come from the branch designated email id for this purpose.

Delayed Payment Charges:-

The delayed payment charges @21% shall be calculated on outstanding financial obligations of the clients on pay-in day (EOD). Delivery financial obligation and/or mark-to-market loss financial obligation of any client outstanding on pay-in (EOD) (as defined by SEBI on NSE and BSE cash market segment is T+2 and F&O segment is T+1) shall be charged with the said delayed payment charges. The said settlement obligation funding shall have to be compulsory reported to NSE and BSE on the monthly basis and in specific formats which is being published on the respective exchange's website.

However, span margin obligation for F&O segment shall continue to be at T-1 day, i.e. upfront / advance collection.