

CONSOLIDATED POLICY ON RISK MANAGEMENT & SURVEILLANCE SYSTEM of

DSE Financial Services Limited (“DFSL”) based on INITIAL MARGIN

It is for the information of all the clients/sub brokers/Authorized Persons / Employees of **DSE Financial Services Limited (“DFSL”)** that a master policy on risk management is reproduced as below for the smooth functioning of the operational activities of the company. This will be addressed from the point of view of Sub- Brokers/Authorized Persons and Clients and will be reviewed by the company from time to time with/without any notice.

1. MARGIN REQUIREMENT

A. Cash Segment:

1. Minimum Initial Margin of Rs. 50,000, in cash only, need to be kept with DFSL by Sub-broker/Authorised Person for each Exchange for Cash Segment.

2. Additional Margin is collected in the form of Cash/FDR/Bank Guarantee/Approved Securities. Generally, securities in excess of 50% of the margin will not be considered for margin.

B. F & O Segment:

1. Minimum Initial Margin of Rs. 1, 00,000, cash only, need to be kept with DFSL by Sub-broker/ Authorised Person in each Exchange for F & O Segment.

2. Each Client need to maintain minimum cash deposit of Rs.25, 000/- in F&O segment.

3. Additional Margin is collected in the form of Cash/FDR/Bank guarantee /approved Securities. Generally, securities in excess of 50% of the margin will not be considered for margin.

4. MTM will be collected in Cash only.

C. Currency Segment:

1. Minimum Initial Margin of Rs. 1, 00,000, cash only, need to be kept with DFSL by Sub-broker/Authorised Person for each Exchange for Currency Segment.

2. Client need to maintain minimum cash deposit of Rs.25, 000/- in Currency segment.

3. Additional Margin is collected in the form of Cash/FDR/Bank Guarantee/Approved Securities. Generally, securities in excess of 50% of the margin will not be considered for margin.

4. MTM will be collected in Cash only.

D. Additional Margin Securities

The securities offered as margin will be pledged with Exchange/clearing member/ Bank/ lender and charges incurred thereon will be payable by Sub-broker/Authorised Person/Client. DFSL may allow exposure upto the exposure allowed against the pledged securities by the pledge.

Additional Margin includes exposure, special, adhoc or any other margin applicable from time to time.

E. Other Conditions

BMC deposited with parent exchange cannot be transferred to or considered for margin by DFSL.

2.TURNOVER LIMIT: No restriction on Turnover Limit. Exposure Limits are allowed at Sub-broker/Authorized Person level. Where mini-admin facility is allowed, Sub-broker/Authorized Person will be responsible for exposure limits and margin/obligations payments by his clients.

3. EXPOSURE LIMIT

A. Cash Segment:

(1) Gross Exposure allowed to the Sub-broker/ Authorised Person across his/her clients will be maximum up to 8 times of the Margin brought in by the Sub-broker/Authorised Person/Client.

(2) Sub-broker/Authorized Person may fix exposure to their clients in their discretion keeping in view the risk involved within the total exposure limit allowed to them by DFSL.

(3).Exposure limit above 8 times to Sub-broker/Authorized person may be given after getting written request from Sub-broker/Authorized person along with a post-dated signed cheque in favor of DFSL of the amount of margin desired to be exceeded.

B. F&O Segment:

The clients will have to pay required initial margin. In case of exposure Margin or any obligation other than initial margin will be collected on real time basis from Sub-broker/Authorised Person in case the client fails to pay within the due time. If at any point of time applicable margin in account of any applicant reaches 100% of limit allowed in F&O segments, system will not accept fresh orders from that users and terminal will be in squaring off mode. Under these circumstances AP/Client will have to square off his positions or deposit additional margins. Margins in F&O can be deposited in the shape of cash, FDR and approved securities and that deposit is to be made in prescribed ratio of cash and non cash components.

C. Currency Segment:

The clients will have to pay required initial margin. In case of exposure Margin or any obligation other than initial margin will be collected on real time basis from Sub-broker/Authorised Person in case the client fails to pay within the due time. If at any point of time applicable margin in account of any applicant reaches 100% of limit allowed in currency segments, system will not accept fresh orders from that users and terminal will be in squaring off mode. Under these circumstances AP/Client will have to square off his positions or deposit additional margins. Margins in currency can be deposited in the shape of cash, FDR and approved securities and that deposit is to be made in prescribed ratio of cash and non cash components.

4. RELEASE OF MARGIN/FUNDS IN F&O , CURRENCY AND CASH SEGMENT:

Unutilized margin/ funds available in cash of any Sub broker/AP/Client with the company may be released only on request of respective Sub-Broker/AP/Client.FDR will be released upon receipt from respective exchange.

Board Approved in its 105th Meeting dated 05-05-2012

5. SECURITIES PAY IN

It will be the responsibility of the Client /Sub broker/Authorised Person to lodge the shares in DFSL Clients Holding/Pool Account by T+1 day. It will be the endeavour of DFSL to upload shares lodged after T+1 day but any failure will be at the risk of client.

1. Further those clients, who have given POA, the shares are lifted from their respective DP beneficiary accounts maintained with DFSL DP.

2. For those clients who have given POA, but, shares are not available in beneficiary A/c. DFSL uploads instruction for the settlement obligation for the respective clients (the instruction status will be shown as 'OVER DUE '), if shares are available at any time before Securities Payin Time on T+2 dead line, the above instruction will be settled.

3. The clients who have not given POA and have no DP accounts with DFSL will transfer the shares from their DP account to company's pool a/c or client Beneficiary a/c themselves against their obligations. Any failure in payin will be at the risk of the Client.

6. EARLY PAY IN OF SECURITIES

The shares which are received in DFSL CM pool a/cs on T/T+1, towards clients obligations are uploaded as early payin of their obligations.

7. FUNDS PAY IN - CASH SEGMENT

For Cash Segment:

- a. For funds management each Sub-broker/Authorised Person is treated as a 'Branch'.
- b. DFSL opens separate bank account for each Sub-broker/Authorised Person concerned, in the name and style of DSEFL Account (with Sub-broker/Authorised Person name) and account is operated by DFSL Officials Only.
- c. Such Bank A/cs are opened in HDFC Bank or other Banks as per Company policy.
- d. The client's Pay in cheques are deposited in respective branch A/c only at T/T+1 basis.

On 'T+1' day

Exchange wise/ Settlement No. wise pay in obligation of a branch is collected from the respective Bank accounts on net obligation basis.

On T+2 days

Any shortfall of pay in obligation on T+1 Day from any branch is collected on T+2 day.

Board Approved in its 105th Meeting dated 05-05-2012

8(a). FUNDS PAY IN FOR F & O SEGMENT

F & O Segment:

On ' T' Day:

F&O Bills are posted to clients' F&O ledger a/c on a daily basis.

On T+1 Day:

1. Exchange wise/ Settlement No. wise pay in obligation of a branch is collected from the respective Bank (branch) accounts on net basis.

2. If Client's F&O Settlement A/c is having debit balance:

- (a) The amount is transferred from Credit balance, if any, available in Cash segment to F&O settlement A/c.
- (b) In case of further shortfall, if any, Authorized person is informed to collect the funds from clients, immediately or pay out of his own funds. In case still there is shortfall, the applicable penalty is imposed on Authorised person for delayed payment.
- (c) Payment cheques received from clients are deposited to 'F&O Running A/c' by giving credit to respective clients F&O settlement ledger A/c.
- (d) The sum total of all the client paying obligations for the bill date are transferred from F&O Running A/c to F&O settlement A/c of DFSL on a daily basis.

8(b). FUNDS PAY IN FOR CURRENCY SEGMENT

Currency Segment:

On ' T' Day: Currency Bills are posted to clients' Currency ledger a/c on a daily basis.

On T+1 Day:

1. Exchange wise/ Settlement No. wise pay in obligation of a branch is collected from the respective Bank (branch) accounts on net basis.

2. If Client's Currency Settlement A/c is having debit balance:

- (a) The amount is transferred from Credit balance, if any, available in Cash segment to Currency settlement A/c.
- (b) In case of further shortfall, if any, Authorized person is informed to collect the funds from clients, immediately or pay out of his own funds. In case still there is shortfall, the applicable penalty is imposed on Authorised person for delayed payment.
- (c) Payment cheques received from clients are deposited to 'Currency Running A/c' by giving credit to respective clients Currency settlement ledger A/c.
- (d) The sum total of all the client paying obligations for the bill date are transferred from Currency Running A/c to Currency settlement A/c of DFSL on a daily basis.

9. ACTIONS FOR DEFAULT IN PAY IN ACCOUNTS:

The pay in accounts must be collected from branch bank account of respective sub broker in cash segment and from clients/AP's bank account in F&O segment on T+1 day. If there is any default in pay in amount, then reminder will be given to make pay in immediately.

In case SB/AP/Clients fails to make payment of margin/pay-in/MTM on due date the Company will imposed penalty up to the exposure of securities after hair-cut lying with date.

In case the exposure exceeds the securities after hair- cut lying with the Company due to sudden abnormal variation in the market, the Company will take necessary steps for recovery of overdue payment including getting account payee cheque with the overdue amount payable. Further, the SB/AP will not be allowed to exceed the over drawn limit.

All the account will be settled atleast once in three months.

10. PAY OUT OF SECURITIES:

A. For those clients who have not opted for 'Running Account'

1. On T+2 day pay out of securities are transferred to clients own beneficiary Id provided, clients' account do not have any debit balance.
2. For clients having debit balance, the shares are transferred to 'Running A/c.'

B. For those clients who have opted for Running A/c.

Within 24 hours of payout, the securities are transferred to DFSL Beneficiary Account (DBA) as per exchange guidelines from time to time.

C. Pay out of securities from 'DFSL Beneficiary Account':

(1) Based on Sub-broker Request.

The pay out requests received through Sub-brokers are processed on a daily basis and securities are transferred from 'DFSL Beneficiary Account' to client's beneficiary account (of those clients who have cleared the debit balances).

(2) Transfer of shares from DFSL Beneficiary Account to Client beneficiary account for those clients who are not opted for Running A/c. (those shares moved to Running A/c. due to debit balance on T+2 day).

On receiving Sub-broker/Client request DFSL transfers shares from 'DFSL Beneficiary Account' to respective client's beneficiary a/c. (For those clients who have cleared the debit balances).

(3) Quarterly settlement of shares (Payout)

The shares which were kept in 'DFSL Beneficiary Account' are transferred by DFSL to respective client's beneficiary account at least once in every calendar quarter, provided clients do not have any debit balance.

11. PAY OUT OF FUNDS TO BRANCH A/C: FOR CASH SEGMENT

Cash segment: on T+2 day:

Settlement wise, payout of funds are transferred to respective branch accounts within 24 hours of payout of funds provided, the particular branch is having pay out for the settlement on net basis.

12. PAY OUT OF FUNDS : F & O SEGMENT

On T day:

1. Daily F&O bills are posted to clients' F&O Settlement Ledger account on 'T' day.

On T+1 day:

Settlement wise, payout of funds are transferred to respective branch accounts, provided, the particular branch is having pay out for the settlement on net basis.

13. PAY OUT OF FUNDS : CURRENCY SEGMENT

On T day:

1. Daily Currency bills are posted to clients' Currency Settlement Ledger account on 'T' day.

On T+1 day:

Settlement wise, payout of funds are transferred to respective branch accounts, provided, the particular branch is having pay out for the settlement on net basis.

14. Risk Management System (Monitoring)

1. RMS section of Operation department is responsible for this policy implementation and monitoring.
2. For proper real time online monitoring of trades and controlling the risk, an integrated RMS s/w supported by existing back office system (with required hardware) is to be purchased and installed in RMS section terminals.

15. General

1. Both, F&O /Currency Settlement ledger credit balance, if any, continue till clients/AP give request for the release of funds and they are settled at least once in quarter/month.
2. The company reserves its right to review this policy anytime and make prudent changes or modifications in any of the clauses without any notice.
