

DAILY GONG FINANCIAL SERVICES LIMITED

(Formerly DGFSL.)

Regd Off: Intl Infotech Park, Tower No.3, 5th Floor, Sector 30-A, Vashi Railway Stn Complex, Vashi, Navi
Mumbai-400 703, Tel: (022) 61829500, URL : www.isesec.com Investor Grievance e-mail:

ig@iseindia.com GST:27AAACI6011L1ZO

MEMBER : NSE, BSE & MCX, DP : CDSL ::: SEBI REGN. NO. INZ000157633

Risk Management (RMS) Policy- EQUITY & DERIVATIVE SEGMENT

This risk management policy document has been designed to understand the margin policies of the company in the Equity and Equity Derivative and Currency Derivative segments. Risk Management is an integral part of any organization. Various risks include credit Risk, Market Risk, default Risk, liquidity Risk, delivery risk etc.

With a view to enhance customer knowledge and safeguard investor interests, Daily Gong Financial Services Ltd. (Formerly **DGFSL**) has devised a comprehensive Risk Management & Surveillance (RMS) Policy to make sure that customers are aware of the criteria based on which DGFSL monitors risk and initiates actions to safeguard the interest of DGFSL and client.

What is Margin and what are the various kinds of margins for Equity and derivative segments?

Margin is the minimum amount required to buy/sell derivative instruments. Margins are always collected upfront. Various margins applicable are:

1. VaR Margin : **VaR Margin** is the minimum requisite margins required for purchasing or selling of any security in CM Segment of any exchange.
2. SPAN margin: **SPAN Margin** is the minimum requisite margins required for trading in futures and option writing positions as per the exchange regulation.
3. ELM Margin: **ELM Margin** is Extreme Loss Margin which is charged addition to the VaR or SPAN Margin by the exchange.

The entire initial **margin (VaR+ ELM) or (SPAN + ELM)** is blocked by the exchange. (This varies from stock to stock.)

DGFSL offers the following Trading Platform's and exchange segments for trading.

Trading platform	Exchange & Segments offered
CTCL (Dealer Terminal for AP and Branches, Client level IBT-Exe, IBT-Web and STWT (Mobile)	NSE (Equity/Equity Derivatives/Currency Derivatives, BSE (Equity, Equity Derivative and Currency Derivative)

Listed below are the products available for the trading and the Exposure / margin required for trading in various segments of the exchanges for both delivery / carry forward & Intraday.

Products	Type	Exposure Equity -	Margin Equity Futures Buying & Selling and Options selling -	Margin Currency Derivatives -	Margin – Equity / Currency options BUY
MIS (Margin intra-day and square off by EOD)	Intraday with auto square off	VaR + ELM minimum of 21%. Allowed only F&O Securities.	100% SPAN + ELM	100% SPAN +ELM	100% of Premium Value
CO / BO (Cover order) / Bracket Order	Intraday with auto square off	VaR + ELM minimum of 21%	100% SPAN + ELM	NA	NA
NRML (Normal)	Delivery / carry forward	50% (2 Times) for Group 1 securities for Purchase. Sale of securities are allowed through CNC Mode only.	100% SPAN + ELM	100% SPAN + ELM	100% of Premium Value
CNC (cash and carry)	Delivery	100% (1 Time) for all securities. Sale based on the securities available in Demat Account or T1 Holding.	NA	NA	NA

Any order placed under MIS and CO & BO will automatically be squared off within half an hour before the market closes for respective exchange segments or the Intraday MTM reaches 80% whichever is earlier.

DGFSL as per the rules and regulations of the Exchange /Depository shall allow the clients to pledge their Demat shares with the Company and there by re-pledge the shares with the Clearing Member (CM) or Clearing Corporation (CC) to avail the margin based on these shares and trade in the market. Limits are provided for margin pledge securities with 50:50 ratio. (Margin pledge limit will be provided to the client equivalent to the value of cash margin available). Further DGFSL shall levy Delayed Payment Charges (DPC) on the margin amount funded by the Company at 18%.

DGFSL's right to Change the margins under any conditions without any notice.

DGFSL shall withdraw /reduce the intraday (MIS/CO/BO) leverage /margin at any time, during the trading day or on any special day where DGFSL anticipates higher volatility in the market due to any of the following reasons without any notice,

- Exchange policy changes or regulation changes
- Government policy changes or regulation changes
- Stock broker internal policy changes
- Excessive or abnormal market movement / turnover / volatility in the domestic & Global Capital Services.
- Any upcoming election results / any other political changes.

What are the terms for the squaring /close-out the Positions/ Stocks etc by DGFSL ?

DGFSL reserves and retains the right to sell or square off the client's open positions in any segment of any exchange and the CUSA account stocks / collaterals pledged with / demat account stocks with POA etc. under the following conditions listed below and DGFSL shall not be held responsible for any loss/charges due to the square off /non- square off positions as per this policy.

1. When Mark-to Market (MTM) loss breaches 80% or more of Capital/Margin

Once the MTM loss exceeds 80% or more of Capital/margin (which means that client has lost 80% or more of his capital/margin) for both Intraday (MIS/CO/BO products) and carry forward positions (NRML product), DGFSL shall cancel all open/ Pending orders and shall square off the entire positions of client at market. Further, the client shall be put in square off mode and shall not be able to place any fresh orders. Since some of these actions are not automated in the system, DGFSL can only square off positions on a best effort basis. It is possible that due to extreme volatility / high leverages used by the clients / market freeze or any other conditions, the MTM loss may exceed even 100% of capital / margin placed by the client before DGFSL can square off the positions. In all / any events DGFSL cannot be held responsible for such losses or charges incurred. It is the responsibility and onus of the client to continuously monitor his positions and bring in additional margin required as when the MTM loss is incurred so as to ensure that MTM loss does not exceed 80% of capital/margin placed where in the above square off condition is triggered. Under no circumstances the client cannot transfer his/her responsibility to monitor his/her positions to DGFSL. In the event that MTM loss exceeds 100% of the capital / margin, DGFSL reserves the right to liquidate the client DP stocks in any manner and at any time it deems fit.

2. When the Margin Shortfall exceeds 20% for the Carry forward positions

Once the margin shortfall exceeds 20% i.e. (120%) of the required margins (for example the margin required is Rs. 1 Lakh and client has only Rs.80,000 of margins left – this means that client has a deficit of Rs.20,000 or 20% of required margins – client margins could have reduced due to MTM loss incurred or increase of exchange margins required on carry forward positions - NRML product), DGFSL shall reduce or completely square off the clients open positions to reduce the margin shortfall deficit. Since some of these actions are not automated in the system, DGFSL can only square off positions on a best effort basis. It is possible that due to extreme volatility / high leverages used by the clients / market freeze or any other conditions, the Margin shortfall may exceed much beyond 20% of the required capital / margin placed by the client before DGFSL can successfully square off / reduce the positions. In all / any events DGFSL cannot be held responsible for such losses or charges incurred. It is the responsibility and onus of the client to continuously monitor his positions and bring in additional margin required as when client may incur MTM loss or margins are increased by the exchange so as to ensure that margin shortfall does not exceed 20% of the required capital/margin placed where in the above square off condition is triggered. Under no circumstances can the client transfer his/her responsibility to monitor his/her positions to DGFSL. In the event that margin shortfall exceeds 100% of the capital / margin, DGFSL reserves the right to liquidate the Collaterals placed as margin pledge or client DP stocks in any manner and at any time it deems fit.

In the Equity Derivative or Currency Derivative there are possibilities of freezing of contracts at any time during the trading hours. During this freeze period of the contracts, DGFSL shall not be in a position to square off the positions as per the RMS policy. Hence In this scenario, DGFSL shall not be held responsible for any losses due to the non-squaring off the positions.

MIS / Cover Order (CO) and Bracket order (BO) – time based Square off:

Any positions taken under MIS / Cover Order (CO) and Bracket order (BO) product shall be automatically squared off, at any time within the last half an hour of market close for the respective exchanges and segments if the positions continue to be open at that time. The clients when taking such positions under the MIS / Cover Order (CO) and Bracket order (BO) product for availing higher leverages is aware of the risks involved in such time based square off. Client has the option to convert a MIS position to normal position (NRML) if adequate margin is available in the trading account. BO and CO positions cannot be converted but can be exited. This client should convert his/her MIS open positions or exit his/her BO/CO open positions before the beginning of auto square off mode of the MIS/CO/BO product. Since these are system based actions and successful triggering of time based square off may depend variables which may be beyond the control of DGFSL, DGFSL does not in any manner guarantee the successful triggering of time based square off under MIS product. It is the responsibility and onus of the client to continuously monitor his positions taken under the MIS product and square them off well before the stipulated cut off time for time based square off. In the event of system failure during this time, DGFSL shall on a best effort basis square off clients MIS positions in alternate system, if available and possible. Due to thousands of such positions to be squared off manually it may not be possible for DGFSL to successfully square off clients MIS/CO/BO positions due to system failure. Under such circumstances client cannot hold DGFSL responsible for any losses/charges.

Liability clause due to square off / non square off the positions

DGFSL shall not be held liable for any loss that arise due to the above intraday square off the positions / Close out of the positions/ squaring off the positions / selling of the stocks due to the Nonpayment/ margin shortfall/ Mark to Market loss breaching the risk level etc. Further, the client agrees that DGFSL shall not be held responsible and liable for any loss /damage that arise in case where DGFSL has not squared off / not closed out the positions / covered the positions on time as per the above square off policy, due to any reason.

DGFSL reserves the right to change the above policies at any time in general or in particular case within the Exchange guidelines.

Margin Call square off – MTF funding account:

DGFSL shall make the margin Call under the MTF trading account as per SEBI guidelines. As long as there is a MTF position in the client account a MTF report would be emailed to client on daily basis. If there is a margin call it will be reflected in this report. If the Shortage / Excess value in the report below is a debit then it means there is a margin call and client need to immediately bring in the required shortage either in the form of funds or securities. If the client does not bring in the required margins then DGFSL can liquidate/sell the shares (funded shares and collateral) if the client fails to meet the margin call requirements.

DGFSL shall not fund the charges and booked losses and if these amounts are not paid by the client, DGFSL, as a process, shall adjust the cash margin if any to the debits or liquidate the collateral shares to clear these debits.

Risk measures on the Physical settlement of the derivative contracts in the future / Option segment.

DGFSL shall allow any physical settlement of the derivative contracts in the future and Options segment based on the required margin availability with the respective client's trading account **on the day of the expiry**. Further, DGFSL shall monitor and square off the entire open positions in these derivative contracts on or before the expiry day if there is no adequate margins in the client ledger.

Since margins are applied and increased on a graded manner for in-the money (ITM) contracts from 4 days prior to expiry, penalty and interest charged on margin shortfall, if any would be debited to client account.

In view of the above compulsory margins levied on the physical settlement of long option contracts and In-the-Money options contracts, DGFSL shall not allow the physical delivery of these contracts on the expiry day if there is no sufficient margins available on the respective client's ledger. Hence DGFSL shall square off all the current month long option positions (Both in the Money & Out of the Money) on the expiry day if not squared off by the client when there is short fall in the margin required.

In the event of such square off/ close out of the contracts , the client agrees to indemnify and bear all the losses based on actual executed prices, and hold harmless DGFSL from any, and against all loss, damages claims, expenses and costs due to the squaring off the entire positions or non –squaring off the positions.

Handling of the Client securities – Policy on Client unpaid Securities Pledge Account (CUSPA)

With respect to SEBI, Circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 on Handling of the clients Funds and Securities by Trading Members/ Clearing members (TM /CM), the following changes have made to the RMS Policy.

DGFSL based on the above SEBI circular shall require to transfer the client's securities received in pay-out (T+1) to clients demat account within one working day. But in case if the securities received in pay-out are not paid fully by the client , then DGFSL may retain those securities in "**CLIENT UNPAID SECURITIES PLEDGE ACCOUNT (CUSPA)**" and these securities will be transferred to the client's respective demat account upon the fulfillment of funds obligation in the account. Further if at any time if the client fails to meet the funds pay-in obligation within five trading days (5) from pay-out day (T+1) then DGFSL shall liquidate the securities in the market to recover the debits/dues in the account including the penalty/interest/ accrued interest/DP charges/ any other uncleared charges etc..

DGFSL may at its own sole discretion, determine the time of sell and securities to be sold (not FIFO Method) and or which open position is / are to be liquidated / closed. Further DGFSL shall not take any

pre-order confirmation /margin calls prior to the liquidation of the securities and DGFSL shall not be held liable for any loss that arise due to the liquidation of securities. DGFSL shall not allow the client to initiate any buy trade immediately after the liquidation of the securities due to debit balances in the client account on 5th day. Further, DGFSL at its discretion ought to liquidate the securities, if any taken immediately after the liquidation of the unpaid securities on 5th day and shall not be held liable for any loss out of this liquidation.

What are the Risk Parameters measured by the RMS for monitoring & squaring off the Positions?

1. DGFSL shall square off all intraday positions within the last half an hour session of the trading of the respective exchange segments, if not squared off by the clients.
2. DGFSL shall not allow carry forward of the positions taken under the MIS/CO/BO intraday products. If any client wanted to carry forward, they have to convert the positions by selecting CNC or NRML in case of Equity Segment and NRML in case of Equity and Currency Derivative segments.
3. DGFSL shall not provide any intraday adhoc margin other than the credit balance uploaded as base capital.
4. Clients are permitted to convert the product from MIS to NRML with the available margin before the start of the time based auto square off period of the respective segments of the exchanges.
5. DGFSL has set restrictions on single order quantity and single order value on various exchange segments. This is done to prevent “fat finger errors” and is also a mandatory exchange requirement. The values set by DGFSL are based on DGFSL’s assessment of risk/ DGFSL’s net worth /trading turnover of DGFSL in various exchange segments etc. It is possible for client orders to get rejected due to these limits getting hit. On the best effort basis DGFSL will review these limits and re-adjust them to allow client orders. However this is at the sole discretion of DGFSL and DGFSL will not be responsible for any loss / opportunity loss as a result of orders being rejected by the trading terminal due to these limits being hit.
6. DGFSL shall square off the CUSPA account position on 6th day (T+1+5) if debit in client account is not cleared by that time or the credit coverage ratio reduces to 110%, whichever is earlier. Credit coverage ratio is Total value of stocks held with DGFSL in CUSPA and Margin Pledge account plus open and unsettled positions divided by total debit in client ledger.
7. DGFSL as per the policy shall not allow trading in the illiquid option Contracts in the segments of (Equity / Currency futures and options) and these illiquid contracts are identified as per the DGFSL policy at its own discretion in the Options segment. (Blocked Option Contracts can be changed at any time)
8. DGFSL shall allow the physical settlement of the Futures and options Contracts in the equity derivative segment provided sufficient margin maintained by the client in his trading account.
9. DGFSL shall not be responsible or held liable for the losses/ damages/ opportunity claims etc that arises due to the technical issues in the trading system / malfunction of the trading software during the trading hours or after the trading hours.

Blocking of the Debit accounts as per the Enhanced Supervision:

The following is the extract of SEBI circular No. SEBI/HO/MIRSD/MIRSD2/CIR/2016/95 dated 26th September 2016 Clause 2.6

“Stock brokers shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond the fifth trading day, as reckoned from date of pay-in.”

Based on the above it is inferred that when clients fail to clear their debit balance beyond 5 days from the date of pay-in or in other words 7 days from the date of trade i.e T+2+5 trading days, then DGFSL shall block such client accounts and not grant any further exposure to such accounts till the debits are cleared.

Delayed payment Charges

DGFSL shall charge the client with the delayed payment charges up to 18% (p.a.) for the short margin on T+1 day onwards and call & trade charges applicable for those trades that are not closed by the client and executed through the Admin & Dealer terminal. All MIS/CO/BO auto square off trades are executed through Admin terminal.

Exchange Margin shortfall Penalty & Margin Provisional penalty debit process:

If at any time, the Exchange impose margin penalty @ 1% or 5% (as per the number of days of shortfall) on the total margin shortfall in the derivatives segment, DGFSL shall pass this penalty amount to the client's respective trading accounts. In view of the above penalty, DGFSL shall debit the respective clients' accounts with Provisional margin shortfall penalty on the day of margin shortfall, and shall reverse and debit the actual margin shortfall penalty amount upon the receipt of the penalty file from the Exchange.

Other Surveillance Actions:

1. Regulatory conditions under which a client may not be allowed to take further position or DGFSL may close the existing position of the client:

In case overall position in a contract has reached the Regulators prescribed Exchange limit/ Market wide open interest limit / then client may not be allowed to take further positions, till such time Regulators prescribed limit comes down to create a new position.

2. PMLA Guidelines: Client will be categorized as High, Medium and Low risk customer as per their risk appetite and their current profile as mentioned in Know your client form (KYC). The same will be reviewed at regular intervals.
3. Exposure to client may also be governed by customer profiling mentioned above as well as clients financial income made available to DGFSL from time to time.
4. Suspending Client's trading account: DGFSL may withhold the payout of client and suspend his trading account due to any internal surveillance (if client indulges into manipulative trade practice) / regulatory orders (debaring orders).

5. **Dormant Account:** If the client has not traded in any particular segment for a period of 365 days, (not traded for 12 months), the account will be treated as dormant and client trading account shall be suspended from further trading. The client can activate the account by sending an e-mail to customercare@iseindia.com or **from website of DGFSL or using the Mobile APP**. If the client is not activated his account for 365 days from the date of suspended from trading, required to provide the fresh KYC Form including the IPV to activate his trading account for further trading.

Framework to provide facility of voluntary freezing/blocking the online access of the trading account to clients :

In reference to SEBI Circular no. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024 and Exchange Circular no. NSE/INSP/60277 dated January 16, 2024 on the subject "Ease of Doing Investments by Investors - Facility of voluntary freezing/ blocking of Trading Accounts by Clients" we have provided a facility for voluntary freezing/blocking the online access of the trading account of our clients on account of suspicious activities in accordance with Point no. 4 of the SEBI Circular. As per the framework mentioned in the above referred SEBI Circular, Trading Members providing internet based trading/ mobile trading/ other online access for trading shall make available to the clients at least two modes of communications through which the client may request for voluntary freezing/ blocking the online access of trading account if any suspicious activity is observed in the trading account. Accordingly we have provided the following two modes of communication for the clients to communicate :

- a) Email from registered e-mail ID
- b) Trading Member's App / website

6. **Additional Surveillance Margin: (ASM)**

In order to enhance market integrity and safeguard the interest of the investors, SEBI has introduced additional surveillance margin (ASM) on securities that witness abnormal price rise, which not commensurate with the net worth and fundamental's of the company. DGFSL as a risk containment measure shall allow trading in these shares only on Cash & Carry product (CNC) i.e., 100% margin. Exchange also levies **Additional Surveillance Margin (ASM)** in Equity Derivatives Segment on all gross open positions on Future Contracts and on Short Positions in Options Contract. The above mentioned ASM shall be added to the applicable exposure margin of the respective index/stock futures and options contracts.

7. **Graded Surveillance Measures. (GSM)**

In order to enhance market integrity and safeguard the interest of the investors, SEBI has introduced the Graded Surveillance Measures (GSM) on securities that witness abnormal price rise, which not commensurate with the net worth and fundamentals of the company. DGFSL as a measure, shall block all GSM Stage II and above Securities as per the GSM list on a regular basis, and shall not allow the clients to take fresh Positions but allow the clients to liquidate these securities if clients holds the same in their account.

Communication/Notices:

Client can view details of his/her/it ledger, margin, shortfall etc., through secured login portal on DGFSL website or by logging to the Mobile App, and the client has to be aware about his position, outstanding balance and Risk on the positions client holds. Further, DGFSL is under no legal obligation to send any separate communication other than the contract note and margin details and these shall be communicated through SMS / Email id's registered with DGFSL.

Disclaimer:

DGFSL will have a discretion to alter/change any of the Exposure limit, selling/squaring off / close out of position's parameter defined under this policy on the basis of prevailing market conditions with or without prior intimation and can use their discretion to grant any kind of exemption/permission in case they deem fit on case to case basis.

DGFSL's RMS policy forms part of the overall Terms and Conditions of DGFSL which is available on DGFSL's web portal / which is acknowledged by client to have been read and understood upon signing the KYC document with DGFSL and also which is accepted every time the client logs into trading or back back office web portal of DGFSL. By accepting the Terms and Conditions the client also accepts the RMS policy presented here in. Click below link to read DGFSL's comprehensive terms and conditions

-----End of Document-----