

RISK MANAGEMENT POLICY

FOR FOUR DIMENSIONS SECURITIES (INDIA) LIMITED

Periodicity of Review: As and when changes occurs / Yearly	Last reviewed on: 12.02.2025
Office responsible for implementation: Compliance Officer	

RISK MANAGEMENT POLICY

01. Background:

In accordance with Section 134 (3) (n) of the Companies Act, 2013, a company is required to include a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company. Accordingly, to mitigate and manage risk at “Four Dimensions Securities (India) Limited” (hereinafter referred to as the “Company or FDSIL”), the Company has formed the policy (the “Risk Management Policy”) for the same.

Further, investment in securities is susceptible to market risks which cannot be predicted. The Account Opening Document contains an explanation of different types of risks our Customers are likely to face in the market. While the risk of loss is inherent in the market, we as Broker seek to minimize the risk of loss through a dynamic risk management policy which is an essential feature of our operations. As our customer, it is important for you to be aware of our Risk Management Policy and how the Policy would operate to regulate your transactions. It is also important that the Risk Management Policy is not an insurance against losses; these are measures and precautions that are adopted to contain risks to the minimum. The Policy is subject to change according to our risk perceptions of the market and SEBI/Exchange regulations for the time being in force.

02. Objective:

The specific objectives of this Policy are:

1. To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management;
2. To establish a framework for the company’s risk management process and to ensure its implementation.
3. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
4. To assure business growth with financial stability.

03. Definitions:

- **“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013;
- **“Board of Directors” or “Board”** in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013);
- **“Policy”** means Risk Management Policy.

04. Applicability:

This Policy applies to all areas of the Company’s operations.

05. Risk Management:

Risk management, by and large involves reviewing the operations of the organization followed by identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

The risk management process involves identifying the risks an organization is subject to, deciding how to manage it, implementing the management technique, measuring the ongoing effectiveness of management and taking appropriate correction action.

The basic activities in any risk management system are:

- i. Risk identification;
- ii. Risk assessment;
- iii. Risk control.

06. Prudent Risk Management Systems followed by the Company:

- a. The clients are given application forms for being appointed as a client only after they have met the director/ officials of the company;
- b. The client registration team of the company personally meets the clients and assesses the financial position, risk appetite, investment objectives, past credentials, qualification, current working position, etc. The feedback of the same is made and given to the director for his/her clearance. After the same is found to be proper by the director, the permission for forwarding the Know Your Client form along with the agreements and various requirements is given to the client;
- c. The completed form is then received and only after proper verification of the documents and checking the genuineness of the person, the account is opened;
- d. Every client is designated a proper dealer/s, and the dealer/s before accepting the order for the client is given the background of the client so that the dealer is in a proper position to analyse the capability, the risk appetite and the investment pattern of the client so that proper risk assessment can be made considering the client;
- e. The clients are personally known to the director and the overall exposure is determined for the person on the basis of the financial capability and on the money lying with us in the client ledger account;
- f. The risk with respect to the trades done by the client is regularly assessed by the dealer. The dealer being regularly interacting with the client is aware of the trading pattern and thus in a position to determine the risk vis a vis every trade done by the client;
- g. In case of large value transactions, the clients are at times insisted on giving advance money / securities as may be required;
- h. The client shares are tracked to have been received only from the designated DP account only so as to nullify the risk due to receipt of shares from other persons DP account.
- i. The exposure with respect to dealers terminal is controlled through the office risk management team;
- j. The risk management team regularly assesses the trades being executed by the clients to check the trades in illiquid / risky stocks. The past operations are also tracked, to assess the risk level of the company in dealing with such clients.

07. Setting Up Clients Exposure Limit:

➤ Cash Segment

FDSIL Shall mandatorily take upfront margin for all the trades (either purchase or sale) which shall not be less than as prescribed by exchange from time to time. The upfront margin shall be taken either in the form of cash, pledge of eligible securities after applicable hair cut by Risk Management Department. Such Margin requirement can be enhanced from time to time as may be decided by the Management of FDSIL considering the market volatility and other factors. The Margin prescribed by FDSIL shall always be higher than the quantum prescribed in regulatory provisions.

➤ F & O Segment

Derivative Segment is a Margin driven segment. Upfront Margin will be collected as per the requirement of the Exchange. i.e. SPAN Margin + Exposure Margin + Additional Margin (if imposed by the Exchange).

Only approved stocks as per list provided by exchange will be accepted for setting clients exposure limits after a suitable haircut applied by Risk Management Department.

Clients will be allowed to trade in the F &O segment after considering their market experience, net worth & other financial parameters.

08. Scrip Wise Exposure Limits:

➤ F & O segment

To bring control on risk related to trading in illiquid securities in F &O segment we have decided following parameters:

- No fresh positions will be allowed in banned securities;
- Option contracts beyond three month expiry will not be available for trading.

09. Right to sell clients securities (RMS selling) or close client's positions on account of nonpayment of client dues:

It is the client's responsibility to clear his/her Funds obligations/Securities obligation/Margin obligation as per the time limits prescribed by Exchanges from time to time. The client shall timely provide funds / securities to the company for the purchase / sale of securities for meeting his/her obligations to the Exchange. In case if a client fails to provide required fund / securities, the company has the right to close the positions / sell the clients securities with or without giving prior notice to client to the extent of ledger debit and / or to the extent of margin obligations. The company can liquidate the securities bought or collaterals given or any other securities given by client in any other form for clearing the client's obligation/dues as per Exchange approved mechanism.

➤ **Selling on account of non-payment of dues in Cash Segment**

RMS selling on account of non-payment of dues in cash segment will be as per SEBI Circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated 20th June 2019 i.e. T+5 working days from pay-in day. For shares bought on T day client must pay the full amount by T+1 day failing which shares so bought will be withheld by the company in "Client Unpaid Securities Account". Such shares will be sold subsequently at any time till the 5th trading day after pay-in (i.e. they need not be sold only on the 5th day after pay-in date) as per the decision of the RMS department and the company will not be responsible for any loss due to such sale of securities. Payment instruments under clearance will not be considered while selling stocks on account of non-payment of debit. No further exposure will be granted if debit continues beyond 5 days from pay-in day. As mandated by the above SEBI circular, stocks purchased needs to be transferred to client's demat account once dues are cleared, however, in exception cases like payment under clearance or payment confirmation given by client till 5th day, unpaid stocks may be transferred to client's demat account on or before 5 days from pay-in day. If any under clearance instrument is returned from bank later, the unpaid stocks will be liquidated without any further intimation. Any selling of stocks from RMS for non-payment will be done on FIFO method i.e. stocks bought first will be sold first.

➤ **Liquidation due to Margin Shortfall & MTM debit:**

In F&O all clients are required to keep upfront margins before taking positions. RMS will close open positions selling will be done on T+1 day for any Margin shortfall & 5 days from pay-in day for any outstanding MTM debit. No further exposure will provided if debit continues till 5 day.

➤ **RMS selling criteria will be as follows:**

- i. The open position in F&O segment will be squared off towards margin shortfall on T+1 day if margin is not received;
- ii. At any point of time if any client's MTM loss reaches 90% of available margin the positions will be closed without any further intimation;
- iii. In case there is ledger debit in client's accounts, collateral stocks to the extent of ledger debit will be liquidated.

➤ **Liquidation for physical delivery contracts**

Clients having open positions in current month F&O contracts on individual stocks & where final settlement basis is physical delivery, then they must confirm to RMS department if they intend to receive/give delivery against the open positions. The intention must be given by 11 a.m. on expiry day however clients can roll over their open positions to next month. Any open position after 1 p.m in said contracts will be closed by RMS.

➤ **Transfer of Securities**

If the buyer fails to meet his fund obligation by the settlement day, the securities will be transferred to the buyer's demat account along with the creation of an auto-pledge in favour of FDSIL Client Unpaid Securities Pledgee Account (CUSPA). The clients will have an alternate option (where permitted by law) to provide the securities in the form of a Margin Pledge as an alternative to CUSPA pledge.

10. Outsourcing

Currently all the critical operations and critical compliances are handled by the company internally. However, in future if company wish to outsource any critical activity, will first put in place a comprehensive Board approved outsourcing policy.

11. Approval Authority:

This policy shall be approved by the Board of Directors.

12. Review Policy:

This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs.