CENTRUM

Centrum Broking Limited

Risk Policy

The following document describes the risk management policy followed by Centrum Broking Limited (Hereinafter referred as "CBL"). Please read it carefully as it pertains to your trading activity. The policy is applicable to all the segments of CBL.

Frequent Used Terms

RMS	(Risk Management System), this helps CBL to identify, monitor & manage the risk of the company and client from the volatility of the market.
Approved Securities	List of securities approved as collateral. These are classified under various groups (A, B, C, D and E).
Non Approved Securities	All securities other than the approved securities Margin
	The underlying provided by the customer in the form of cash, Cash equivalent and / or Approve stock (Pledge) to execute the trades and manage future obligations
Limit	Combined ledger balances (NSE, BSE, F&O, CD) -unclear cheque + Pledge stock
Haircut	Haircut is the difference between the market value of the securities minus the value after applying haircut % as defined by CBL
Cash collateral	This is the clear balance available in the customer's ledger account in our books.
Non –cash Collateral	Valuation of pledge stocks available with CBL.
Unsettled Sell/Buy	Shares bought/sold for which settlement is pending from exchange
Margin in cash segment as per Securities)	VAR + ELM + AD HOC margin charged on securities (Varies
Derivatives Margin	Margins for derivative position (SPAN margin, exposure margin & Other additional margin if any)

1. INTRODUCTION

Risk Management is a logical process that provide a systematic method of identifying, analyzing, monitoring and mitigating the risks involved with any financial assets.
As a prudent broker, CBL would like to make customers aware of the inherent Risks involved in dealing in Equities and other financial assets. This document showcase the customer to understanding of various Risks involved in Dealings with capital market.

In view of the above, CBL, as a Stock Broker, has implemented the following system of risk management.

RISKS INVOVLED IN TRADING ON THE STOCK EXCHANGE

Investment in Equity shares, derivatives shares derivatives or other financial instruments traded on the Stock Exchange(s), which have varying element of risk, is generally not an appropriate avenue for someone of limited resources/limited investment and/or trading experience and low risk tolerance. In considering whether to trade or authorize someone to trade for you, you should be aware of or must get acquainted with the following:-

Type of Risk associates dealing in financial instruments

- Liquidity Risk :
  Liquidity in the context of stock markets means a market where large orders can be executed with minimum price difference.
  Liquidity is important because with greater liquidity, it is easier for investors to buy and/or sell securities and vice versa, Liquidity Risk can summaries in one word "Higher the liquidity lower the risk and lower the liquidity higher the risk".

- System Risk :
  Trading on exchanges is in electronic mode, based on combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of system problems or slowness or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond control and may result in delay in processing or not processing buy or sell orders either in part or in full.

- Market Risk:
  Any risk arise due to fluctuations of market variable is called market risk, Market risk is the day-to-day fluctuations in a stock's price. Sudden fall in prices of stocks due to fundamental or other reasons can cause loss in security values.

- Settlement Risk/Auction Risk
  Currently settlement is done on T+1 for cash & derivative segment.
  In cash segment if client sell shares on T+1, before the actual receipt of shares from exchange there might be risk of auction of sold shares.

2. Trading platform - Order Types

Market Order
A Market order is an order to buy or sell a security at the prevailing market price. This type of order is executed on the basis of the available best price while entering order in the system.

Limit Order
In a Limit order, you set the price at which you want to buy or sell a security- known as limit price. The order gets executed only at the limit price placed by client.

Stop-loss Order
A Stop-loss order helps you limit your losses by exiting a trade, if a specified trigger price (the specific price at which your buy/sell order becomes active for execution) is reached.
E.g. If for stop loss sell order, the trigger is 93.00, the limit price is 91.00 and the market (last traded) price is 95.00, then this order is released into the system once the market price reaches 93.00 and trade will take place within the given price range.

GTD order
GTD - A Good Till Days/Date (GTD) order allows the Trading Member to specify the days/date up to which the order should stay in the system. At the end of this period the order will get flushed from the system. Each day/date counted is a calendar day and inclusive of holidays.

AMO order

AMO allows you to place an order during non-market hours i.e. either before or after the market hours. This order will be active in the next trading session. AMO orders are helpful to place an order at a certain price before the start of market hours.

Delivery/Margin Orders

Clients may place order In DELIVERY for Delivery transactions in the cash segment.
Limits are available to sell stocks in Centrum's DP for POA client and can be placed in DELIVERY
Exceptions may be requested for selling stocks from third party DP. Sell orders shall be placed as "MARGIN" order.

Derivatives (Carry forward orders)

Client can place order under CARRY FORWARD for Futures & Options trade. Margin is charged as per exchange i.e. span + exposure margins + additional margins, if any. Options purchases require cash balance equivalent to the premium amount. These margins need to be available before the order is placed.

Position conversion:
Client can convert position from Delivery to Margin and vice versa during the day. Client can go to Net Position window – select the position and right click to convert the position.

3. Trading Limits & Criteria

BOD Limit

Bod Limits are made available against the collateral available in a client account in the form of deposits, ledger balance (funds) and /or securities pledged as a margin.

Ledger Credit against receipt of funds

Credits are posted into the ledger for direct clients against RTGS / EFT transfers on EOD basis provided the details of such transfers are reported as per due process by the client. Credits for online fund transfer receipts through CBL portal shall be credited same day and given exposures post receipt of funds. Credits against deposit of the cheque are given based on bank statements only.

Margin is calculated as below at Beginning of the Day (BOD) as below:

Margin = Combined ledger balances as on T date (NSE, BSE, CD)
- Value of unclear cheque posted into client ledger
- Derivative margins on outstanding positions as per exchange
- 120% Gross Value of Securities sold pending to be received
  (Sold from Non POA DP or outside DP, delivery credit of such shares pending)

+ Margin Pledge Stock

Limits Criteria

- Limits are made available based on client collateral. It's also determined by risk of the exposure proposed to be taken, i.e., the securities bought / sold (This is governed by securities classification)

- Client securities lying in client's CBL DP beneficiary a/c or client margin a/c can be sold directly selecting the Delivery option. Limits will be enhanced against delivery stocks sold – CFS limit 80% of sell value. (subject to regulatory changes)

- For short deliveries (including securities sold from outside DP not transferred into Centrum), an amount equal to 20% shall be deducted from margin available in addition to blockage of credit for sale.

- Margins on Overnight derivatives positions are not debited to the client ledger. Therefore, net BOD trading limits available will be deposit /margin amount available less the FO margin blocked on open positions.

- Non POA clients will not be allowed limits against stocks lying in their CBL DP account or against stocks sold from their DP account until the pay-in of such shares are effected to the exchange

- During the day our RMS will update on Real-time basis and adjust Incremental/Decrement exposure for further utilization. Unrealized profits will not be considered for trading limits.

4. Dealing with Restricted Scrips

- Trading in scrips other than A, B series of BSE and EQ series of NSE segment is blocked in the system. Orders may be placed by the advisor / client / dealer after a request to RMS desk to unblock the same for a particular order. Such unblocking maybe done selectively at the discretion of the RMS desk for limited period of time. Maximum order size in such stocks should not exceed 20% of DTV (daily trading volume) at the time of order. Allowing of trades in illiquid / shady / penny scrips will be at the sole discretion of RMS team.

- GSM scrips are also blocked by the system. Wherever ASD is applicable, despite client having funds buying is not allowed. Squaring off of existing holding is however permitted.
- The dealer / client shall not take any fresh positions in F&O scrips which are in Ban Period (where incremental exposure is disallowed by the exchange). Only square off trades/rollover trades shall be permitted in such underlying.

- Fresh position in Derivatives Current month series on expiry day are blocked by the system, only square off orders are allowed.

- Maximum single order transaction quantity, lots and value across cash and derivatives segment shall be set by RMS which is subset of exchange allowed permitted limits. The same varies between dealers as well as clients.

5. Physical Delivery in Derivative Segment

- All the scrips traded in Derivative segment are physically settled. In monthly expiry week additional margins are charged by exchange on incremental basis daily which client needs to maintain in the account.
- On exceptional basis the client will be allowed to carry the position and get converted into delivery if there is either sufficient stock to be delivered in case of short position or has credit balance to the extent of contract value in case of purchase, else client has to square off the position before 2.00 pm from their end to avoid any RMS liquidation.

Collection policy

- Funds may be due from clients towards stock purchases, trading losses, Mark to Market loss on open positions, option purchases, margins against outstanding positions, past dues, charges etc. from time to time

- All amounts billed against securities traded on the exchange are overdue if funds are not received in Centrum's account before the settlement time / date. The settlement date is currently T+1 F&O and cash segment
- Non collection of funds towards obligation may trigger RMS square off as per the square off policy.
- All amounts billed towards charges including DP charges, Annual Maintenance charges etc. are due when billed.
- All Ad-hoc margins charged by exchange has to be collected from the client. Failing which DPC (Delayed Payment Charges) on the short amount collected will be levied at agreed ROI.(Rate of Interest)

6. Square off policy

- **Daily Ageing Square off**

It is the customer's obligation to clear ledger debit balances in T+1 day (i.e. on settlement day) where in T is the transaction/trading day. If there is a failure on part of the customer to clear the ledger debit then CBL reserves the right to liquidate the stock upon ageing of the ledger debit beyond T+5 days The stock will be sold from customers' accounts on T+6 days after the ledger debit. For e.g.: trades executed on Monday will be squared off on next Week Tuesday (T+6) where T indicates Trading day

- **CUSPA Square off**

As per SEBI regulation all the T+1 unpaid securities are transferred to client Demat account with auto pledge creation under the reason unpaid in CUPSA (Client Unpaid Securities Pledgee Account).Customer need to fund their account to fulfill obligation or sell the securities within T+6 days, else CBL has the right to sell the unpaid securities.

- **Margin Shortage Square off**

Margin is collected upfront from all clients in derivatives segment. Daily Mark to Market losses shall have to be paid latest by T+1 day and any shortages in respect of Margin shall be payable forthwith. In case of default to provide Mark to Market losses or Margins accordingly, CBL shall be entitled to square off the open positions. In case of extreme market volatility, margins may be demanded on intra-day basis and Clients should be able to fulfill margin obligation on immediate basis to avoid square off.

- **MTM Square off**

  CBL reserves the right to square-off all intraday positions (cash as well as derivatives) and carry forward derivatives trades, where-in MTM crosses 80% and above. The customers will be alerted by notifications at 60%, 70% on a best effort basis, however, given the market volatility, sending an alert should not be mis-construed as an obligation for CBL. The position will be reduced on the best effort basis and the customer will be liable for any losses arise due to square-off. All pending orders of the customer will be cancelled. Customer needs to Maintain Coverage of 20% against buying in cash segment. If coverage goes below, RMS has the right to sell client holdings up to required coverage.

- **Derivative - Physical Settlement Square off**
  All Contracts in derivatives segment are physically settled. Open position in all Futures & Option contracts need to be squared off before 2 pm on Expiry day to avoid Physical Delivery. Incase client wish to take physical delivery ledger credit need to be maintained in case of Buy Position & Stock should be made available for pay-in in case of Short Position.

7. Margin Shortage & Penalty

It is mandatory for Broker (CBL) to report margin collection client wise to Exchange on Daily basis of clients who holds position NSE FNO/NSE Currency. In case if Client fails to pay margin and if margin shortfall is reported to Exchange. Exchange levy penalty client wise for short collection of Margin which is as follows.

The following penalty shall be levied in case of short reporting by trading/clearing member per instance

Short collection for each Client.	Per day Penalty as %age of 'a'
(< Rs 1 lakh) And (< 10% of applicable margin)	0.5 %
(≥ Rs 1 lakh) Or (≥ 10% of applicable margin)	1.0 %

Note. :

1. If short/non-collection of margins for a client continues for more than 3 consecutive days, then penalty of 5% of the shortfall amount shall be levied for each day of continued shortfall beyond the 3rd day of shortfall.

2. If short/non-collection of margins for a client takes place for more than 5 days in a month, then penalty of 5% of the shortfall amount shall be levied for each day, during the month, beyond the 5th day of shortfall.

Notwithstanding the above, if short collection of margin from clients is caused due to movement of 3% or more in the index (close to close value of Nifty/Sensex for all equity derivatives) and in the underlying currency pair (close to close settlement price of currency futures, in case of all currency derivatives) on a given day, (day T), then, the penalty for short collection shall be imposed only if the shortfall continues to T+2 day.

If Client fails to meet his/her Margin requirement and shortfall is reported and due to that, Penalty levied by the Exchange will be levied to respective client.

8. Quarterly Settlement of Funds

The settlement of running account of funds of the client shall be done by the trading member after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges,

Vide SEBI circular no. SEBI/HO/MIRSD/DOP/P/CIR/2022/101 dated July 27, 2022, the settlement of running account of funds of the client shall be done by the trading member after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges on first Friday of the Quarter (i.e., Apr-Jun, Jul-Sep, Oct-Dec, Jan–Mar) for all the clients i.e. the running account of funds shall be settled on first Friday of October 2022, January 2023, April 2023, July 2023 and so on.

For clients, who have opted for Monthly settlement, running account shall be settled on first Friday of each month.

Clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by trading member, within next three working days irrespective of the date when the running account was previously settled.

Quarterly Settlement on F&O Segment

For the clients having outstanding obligations on the day on which settlement of running account of funds is scheduled, the following funds may be retained by a member at the time of settlement.
Entire pay-in obligation of funds outstanding at the end of day on date of settlement, across all segments.
Margin liability as on the date of settlement of running account, in all segments and additional margins (maximum up to 125% of total margin liability on the day of settlement).
The margin liability shall include the end of the day margin requirement excluding the margin on consolidated crystallized obligation/ MTM; therefore, the member may retain 225% of the total margin liability in all the segments across exchanges

Additional Information with Regards to RMS

1) Delayed Payment charges will be charged on the outstanding debit balances and also on F&O margins not maintained as per 50:50 cash & non-cash ratio.
2) CBL approved securities list shall be reviewed at least once a month with ad-hoc additions and deletions from time to time
3) Penalties charged by the exchange (excluding up front Margin) owing to margin shortfalls shall be billed to the client along with charges as maybe levied by Centrum.
4) Daily Margin Report (DMR)
   The Daily Margin Report (DMR) is a report provided by stockbrokers to detail your margin account status and ensure compliance with margin requirements set by SEBI, exchanges, and brokers. SEBI mandates that investors be informed of their margin status daily to avoid shortfalls and penalties.
5) The DMR reflects the value of stocks pledged for margin purposes and may differ from the limit stock value due to haircuts applied in limit calculations. The DMR value is based on pledge valuation for margin reporting, while the limit calculation considers post-haircut pledge value as per CBL's approved stocks.

9. Margin Trading Facility (MTF)

It is a facility offered to investors in buying of shares and securities (Only MTF Approved) by allowing the investor to pay a portion of the total transaction value called margin.
Only Group I securities are eligible for MTF. As per SEBI guidelines minimum margin charged is as below:

- Group I stocks available in F&O segment –VAR + 3 times ELM
- Group I stocks other than F&O & Equity ETF -VAR + 5 times of ELM
- Stocks purchased in MTF will be shown NET POSITION window under product type MTF.

- Once billing is done on T day client will get a link from CDSL to pledge the purchased stock , which should be validated through OTP on same day or maximum by T+1 day before 11:00 a:m
- Margin payable by the client shall be in the form of Cash and exchange approved pledge stock. Client need to always maintain the applicable margin towards his exposure in MTF.
- Customers can carry position upto 360 days.

MTF Sq-Off policy:

If maintenance margin call is not fulfilled by client, funded stocks may be partially liquidated to equalise the “Required margin at MTF”with “Available Margin at MTF”. Such liquidation shall be done anytime within 5 working days from the date of margin call, provided the part/whole of the shortage remained on the day prior to the day of such liquidation.

Disclaimer; The above guidelines are to be considered as broadly indicative and subject to changes at its sole discretion without any notifications and assigning reasons in line with the changes in market environment as may be perceived by CBL. No claims on basis of the above guidelines by any party will be entertained and CBL is fully entitled to make variations in allowing limits towards credit and exposures and square off / liquidate the collaterals in case of any default by the parties.

CENTRUM BROKING LIMITED

Policy on Facility of voluntary freezing of Trading Accounts by Clients

Version: 1

Private & Confidential

Preamble:

This policy outlines the procedures for voluntary freezing of trading accounts for clients of Centrum Broking Limited (hereinafter referred to as CBL) in accordance with SEBI & Exchange Circulars.

Background:

This policy aims to guide CBL clients on the process, modes, timelines, and other details for facilitating the voluntary freezing of their trading accounts upon noticing any suspicious activity.

Process of freezing

To freeze your account, you can either send an email to our dedicated email id stoptrade@centrum.co.in or call our toll free number 1800 123 313 131. Upon receiving your request, your account will be frozen as per below scenario.

Scenario	Timelines for issuing acknowledgement as well as freezing / blocking of the online access of the trading account.
Request received during the trading Hours	Within 15 minutes
Request received after the trading hours and 15 minutes before the start of trading.	Before the start of next trading Session

The representative will verify the client identification by seeking certain information to ensure the request is received from registered client only.

Process of unfreezing

You can call on our dedicated toll free number at 1800 123 313 131 to unfreeze your account. It will take up to 1 hour to process the request.

Client Do's and Don'ts Dos:

1. **Close Open Positions:** Ensure all open positions are closed before requesting to freeze the account.
2. **Notify Freeze Request:** Contact customer service to freeze the account; it will be blocked within 15 minutes.
3. **Handle Pending Orders:** Client to ensure all pending orders shall be cancelled before requesting for freezing
4. **Position Details:** Please take care of your open positions and contract expiry.
5. **Close Open Positions:** Call 1800 123 313 131 if you have open/pending positions to close or cancel respectively.

Don'ts:

1. **New SIPs:** Please ensure not to execute any fresh order or fresh SIP while the account is in frozen status.
2. **Modify Profile:** Please avoid attempting to modify your profile settings during the frozen status.
3. **Funds:** Don’t add and withdraw funds during frozen status.

Disclaimer: Above policy is subject to change from time to time having regard to change in circumstances and shall be reviewed periodically in accordance with regulatory guidelines and management perception.

Circular references:

SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024
NSE/INSP/61529 dated April 08, 2024
BSE notice 20240408-12 dated 08 Apr 2024