

CENTRUM BROKING LIMITED RISK POLICY DOCUMENT

Products offered by Centrum

Cash & Carry

- This is a normal Delivery based product.
- The client is required to have 100 % margin available to trade.
- The margins will be in the form of Funds (if the client gives a Cheque before trade, by default it will be considered for giving limits but his past record & market condition may be considered before giving limits), this will be available for purchases and for sale the securities need to be available with Centrum either in Centrum's Client beneficiary account or Clients' account with Centrum as DP where POA is with Centrum.
- The exposure limit given will be 1 time the available collateral.
- The client can buy shares against sale of securities available with us in Centurms' client beneficiary account or Clients beneficiary account with us as DP where POA is available with Centrum.

Margin

- The client is given leverage based on the collaterals available; the exposure limits are based on the client categorization.
- Scrips accepted as collaterals and haircuts thereon would be as specified by the Exchange (NSE circular reference: NSE/INSP/2008/65 dated: 28th February 2008, NSE/INSP/19583 dated December 14,2011)

If at EOD the position is open, it would get converted to cash and carry and entire purchase or sale value would get debited / credited to the ledger balance. Even if the client has not opted for cash & carry all the open position would get converted to cash & entire purchase or sale value would get debited/credited to ledger balance

For F&O segment position margins as per exchange rule will be charged on the EOD open position i.e. span + exposure margins + addl. Margins (if any)

NOTE: Intraday exposure against sale carried out under cash and carry product would be available for utilization by client under cash and carry / margin/ intra day product.

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Employees trading

- Employees will be allowed to trade as per the employees trading policy.

Limits & Receivables for NRI clients.

- 1 time limit will be given on the basis of balance received by Risk Department from Bank.
- No limits will be given if the file is not received by Risk Department from Bank.
- In case of purchase of shares – Client transfers the money by IConnect or Bank transfers

Client Exposure Limit

- Exposure limits available to the client would be based on combination of scrip categorization across exchanges and across segments.
- It would be based on the balance available in his ledger account on T day at 9:00 am (where T is the trade date) in cash and F&O segment adjusted for F&O margins and further adjusted for positions unsettled (details provided under BOD procedure)
- Ledger balance will be based on tradeday basis irrespective of billing policy.
- Limits will also be available on those securities which are in the Exchange F&O approved collateral securities list and are in Centrum's Client beneficiary account or receivable in Centrum's Client beneficiary account in payout after haircut as specified by the exchange for the particular scrip.
- Client holding in Centrum Client Beneficiary account & stocks which are to be receivable (under obligation) will be uploaded on RMS module (Trading Software) to enable the clients to sell these shares and avail further limits after selling the same.
- After market orders on the web portal, will be sent to the exchange only after they are validated by the system against available balances BOD. If, there is insufficient balance the order would be rejected.

Client Intraday Margin

- Intraday Margins on the positions would be based on the predefined percentages in line with the classification of various baskets and client categorization plus scrips based on its VAR for Cash segment & Span + Exposure in F&O segment.
- The margins would be reviewed and baskets reworked on monthly basis, and also in volatile market scenario:

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Client Intraday Exposure

- Sale positions taken in the cash and carry product, during the day would be allowed to be leveraged if the Clients beneficiary account is with Centrum as DP and POA is available with FCH CWML
- The intraday booked losses/ profits of the clients will be added to or deducted from margins available at BOD accordingly.
- Intraday unrealized mark to market losses will also be blocked from margins available.
- Any exceptions are considered by the business/sales group head only on recommendation of the branch/regional heads

Intraday Margin Calls & Square off policy

- Intraday, if the client's Net loss (i.e. Booked Loss + mark to market loss – Booked profits) on Total open positions (Net previous open positions + Intraday positions + F&O open interests) is equal to 50% of the total gross margins (shares + funds) deposited by the client; the client will not be allowed to take any fresh positions.
- If the client's Net loss (Booked Loss + mark to market loss – Booked profits) reaches 70 % of the total collateral available, the clients position will be squared off to the extent that the net loss comes down to 50 % of the total gross margins deposited by the client.
- Generally, the sequence to be followed is: First intra day margin and intraday (F&O and cash) positions followed by F&O positions and then Cash segment unsettled positions in margin product, to the extent of the margin requirement would be squared off. However, these are subject to liquidity and other related aspects in the market. The client's limit for the next day trading will be zero unless new collaterals are brought in by the client.
- After square off of the open positions, if still there is a loss in the clients' accounts, the collaterals will be liquidated to the extent of the loss.
- The collaterals will be squared off as specified in collaterals: equity section.

Limits against demat holding in Clients a/c

- All shares will be blocked in DP B/O at BOD for all clients who have given POA to Centrum.
- These quantities are uploaded to the RMS module. These shares are available to the clients for sale during the day.
- No limits will be given to the clients against the blocked shares. On sale of these shares, intraday limits would be available to the client as mentioned under cash and carry product.

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Volatile market

Market is considered Volatile when either of the following happens:

- Market price movement by 5% in a day, in any direction
- 5% price movement in a day and regaining either the full or part during the day
- In a volatile market, the leverage for Cash Segment will be reduced to maximum 2 times or less. And the leverage for F&O segment will be computed based on the Span + Exposure margin.
- Positions would be squared off to the extent of the MTM loss and the balance position has 100% margin.
- First F&O positions and then positions in equity market, to the extent of the margin requirement would be squared off. In exceptional cases we have a right to demand all additional margins in Funds. The Client would be intimated as per the policy stated above.
- The square off of positions would be done as per the procedure laid down and explained above.
- Intra day valuation of collaterals would be carried out.
- Limits can be considered to clients on the unrealized Cheque but it can modify to only on realize amount depending upon market condition or client track record.
- In exceptional circumstances Business group has the right to make any of these parameters more stringent.

Time to action:

Market price movement upto 5% would seek EOD change in parameters Any movement >5% would call for intra day change in parameters. The parameters once changed would be retained for a minimum of 3 days or longer if the trend continues. A proper review would be carried out to reset the parameters at normal levels.

Transfer of funds within segments

- Transfer of funds between segments to the same client account will be effected by journal entry.
- The journal entry will be supported by transfer of funds between the bank accounts of the respective segments. Head of Finance will monitor and approve these on a daily basis

Interest & penalty procedure for delayed payments

- Payments received after T+2 Day will be charged Delayed payment charges at the rate of 18% p.a. or as may be decided from time to time.
- Delayed payment charges will be computed on a daily basis on outstanding balances till the shortfall is met. entry in the account will be passed on monthly basis
- If the payments are not received till T+5 the clients' positions might be squared off to the extent of the shortfall.

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T+5 square off process

- If Client Payments not received till T+5, on T+6 BOD, the clients position will be squared off to the extent the debit in the clients account is recovered.
- The Square off policy as stated above will be followed.

Fund & Security pay out procedure

- The payout of shares to client demat account is processed at the end of the day after all the bills and margins in F&O for the day are processed.
- The payout of securities takes place as follows:
 - the net credit in the Clients ledger across all 3 segments (NSE cash and F&O, BSE cash) will be assessed by:
 - deduct any unclear Cheque
 - deduct the margins payable in F&O
 - deduct the MtoM loss
 - deduct the credits for payouts pending (of securities & Funds)

Pay out of securities will be done only to the extent of the net credit arrived.

Cheque dishonored treatment

- In Case of dishonor of any cheque issued by the client, the clients will not be allowed to take any fresh positions unless the shortfall is made up.
- Three times the cheque bounces in a month, one time limit would be given on the realized balance.
- The Client cannot be given any additional exposure limits

Receivables for >5 days

- Existing open positions would be squared off
- No fresh positions would be allowed to the client till the time the receivables are cleared

Disclaimer; The above guidelines are to be considered as broadly indicative and subject to changes without any notifications in line with the changes in market environment as may be perceived by FCH CWML. No claims on basis of the above guidelines by any party will be entertained and FCH CWML 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.