

Risk Management System (RMS) Policy

A Risk Management System is integral to an efficient/modified brokerage. We have put in place a comprehensive risk management system, which is constantly upgraded as per the Exchange, SEBI & PMLA norms and also as per Market Movement.

The Model of RMS in CIPL/CCFPL consists of CIPL/CCFPL Owned Branches, Franchisee & Authorised Person.

All the staff, Branches, & Branch Manager need to understand and follow the policy as it is the integral part of company.

RMS Function includes:

- To check capital adequacy for exposure and requirements of the client

- Monitoring of Clients Order, Patterns of Trade, Order rejections, increasing of Exposure/limits.

- Monitoring MTM profit/loss incurred out of trades.

- Benchmarking Margin v/s Exposure of client

- Decision taking with regard to squaring off positions on account of MTM loss or Margin shortfalls or any other reasons that may come across

Risk management in relation to all the trading activities for Clients is handled by RMS & Surveillance Dept.

Risk Management Policy

Particular	Equity (NSE/BSE)	Derivatives (NSEFO)	Currency (NSE CD)	COMMODITIES (MCX & NCDEX)
Intraday Exposure	50% of VAR	3 Times Margin in Future & 1 Times Margin in Option		MCX :- 3 times Margin
Delivery Limit / Carried Forward	1 Times of Limit set	1 Times of Limit set	1 Times of Limit set	1 Times of Limit set
		It is compulsory to keep 100% margin as per the Exchange norms.		
Limit setting	Limit is set on combined basis for Cash, F&O & Currency Segment. [Ledger balance] + [App. Stock*] –[Unclear chq]-[O/S Sell] Cash & Collateral ratio will be 50:50 <i>(for e.g. If cash margin is Rs.25,000/- then collateral sec. will be accepted worth value of Rs.25,000/- only (A.HC))</i> For Delivery Limit no exposure will be calculated on the Equity shares held in the Client Ben Account (POA). Only stocks pledged by the client to us in our Clinet Securities Margin pledge account will be eligible for the Limit Criteria			[Ledger balance] –[Unclear chq] No Collateral in the form of securities is acceptable
Criteria for Position Square off	<u>Intraday Sq-Off time</u> Cash & F&O:- 3.20 pm , NSECD :-4.50 pm , MCX:- 11.15 or 11:45 PM			
	<i>*The positions taken for intra-day should be cleared within the time frame as mentioned above.</i> CIPL/CCFPL shall not be responsible for any uncovered open position on account of any technical failure after 3:10 pm.			
	<u>MTM Sq-off:</u> a) First Call = 60 % , b) Second Call =70 % , c) Final call/Square off =80% Note : <i>Once the MTM loss of the intra-day positions reach 80% of the margin available, the positions should be cleared from the branch concerned, failing which, the positions taken for the intra-day will be cleared off from RMS & Surveillance dept. Thereafter only payment through ATOM, or Fund Transfer is allowed to increase the exposure or limit.</i> In case client MTM loss reaches to 60-70% at the end of the day, client will have to reduce the position upto the level of 50% or need to enhance the limit by additional margin. <u>5 Days Sq-Off :</u> All 4 days debits has to be cleared by 2:30 PM. If the open position clearance not been initiated from branch, then same would be cleared from RMS department – Head office. In this regard, company shall not be responsible for any loss that may occur to the client on individual basis. Any NEFT/IMPS/RTGS should be done before 2:30 pm. Any probability or guarantee of client cheque receipt/fund transfer request will not be considered on			

	<p>5th day.</p> <p>At time of selling stocks, below method is followed:</p> <ul style="list-style-type: none"> o Stock from Client Unpaid Securities Account. o Stock from POA Account (If sufficient stocks are not found in Client Unpaid Securities A/c) <ul style="list-style-type: none"> Incase stock valuation falls below 20% of the total ledger debit, square off can be done even before T+4 days. <p>In case at any point of time, if the client ledger shows a debit balance due to whatever market volatility or higher position values in less margin or dishonor of Pay in, client will be responsible to pay the dues to clear the outstanding in his/her ledger.</p> <p>Under any circumstances, if the client fails to pay the amount due, Company will take legal recourse to recover such amount from client.</p> <p>In case client carries commodity OR Derivatives position more than 1 times, then he needs to pay shortfall the next day before 1:30 p.m. or before MTM hits 80% of the total credit available. In case the same is not done, positions will be squared off after 1:30 p.m</p> <ul style="list-style-type: none"> i. *Note: T+1 day consideration shall not be given to any client, if any instances of cheque bouncing or cheque reversal have taken place in the account. ii. If intraday positions carried without margin on two occasions then intraday limits will be permanently disabled <p>The MTM loss arising in F&O positions need to be paid on or before the next day (T+1 day) so that MTM settlement can be performed properly, failing which the positions will be reduced to the available margin level.</p> <p>RMS will Sq-off the position in case :</p> <ul style="list-style-type: none"> a. Scrip is highly volatile b. Margin /MTM Shortfall c. Cheque bounce / third party cheque deposit d. Scrip banned / not allowed for trading / withdrawal from F&O as per exchange notification, suspicious trade or transaction under PMLA Act f. Synchronized trading g. Regulatory body prohibits or suspends the client
<p>Exposure/Li mit on Unclear</p>	<p>Limits shall not be provided for clients on cheques under clearing in the following conditions: Branch has given the cheque details but the cheque is actually not presented to the bank.</p>

Cheque	<p>No limit is allowed against out-station cheque.</p> <p>Every new client the exposure limits for transaction shall be given after the clearance of margin cheque</p> <p>No special approvals are accepted / entertained for those clients who are in cheque bounce history and with Negative Ledger.</p>
Banned securities*	<p>On any banned scrip exposure will not be allowed. On open interest, only square off will be allowed.</p> <p>No exposure will be allowed on commodity declared as BAN by exchange.</p> <p>Trading in commodity contracts will be banned a day prior to the delivery intention period.</p> <p>Physical Delivery of Commodities is not allowed.</p>
Illiquid stocks /Agro Products	<p>Exposure: only 1 times exposure will be given on illiquid stock or Z or BE group.</p> <p>In equity segment newly listed shares usually do not have any DPR and hence, the chances for rate fluctuations are more. So the dealing in newly listed shares will be restricted to the available credit balance after considering the M2M levels</p>
Clarification regarding margin collection by Clients	<p>Free Balance available on current day (T Day) with client in different segments (BSE/NSE/FO/CURR) of the Exchange will be considered for margin</p> <p>Only exchange approved stocks pledged to us in our Client Securities Margin Pledge Account will be considered for margin collection to the extent as allowed by the exchange.</p> <p>. Exposure for C/F will be based only on the clear fund balance & securities pledged to us as mentioned above..</p> <p>Limit against Premium credit for sell of Option Contract: Allow to take position in Option Contract Buy/Sell on same day Disallow to take position in Future &Option contract Sell on same day Allow to take Intraday or Delivery position for EQUITY scrips on very same day</p> <p>MTM profit cannot be considered for taking fresh position in FNO segment on T day.</p> <p>If cash component is utilized for fresh delivery in cash segment then the same will not be considered for FNO segment.</p> <p>Cheque dishonored/reversed or not cleared up to T+6 working days should not be considered for Margin</p>

	<p>Penalty if any occurring out of the short payment will be debited to the respective client's account after t+7 days.</p> <p>Provisional Margin shortfall penalty & late payment fees will be blocked from clear balance on payout.</p> <p>For margin collection & reporting if client has given Securities as margin which are sold in the cash market and the securities are in the pool account of the trading member but are not given as early pay in towards an obligation to deliver shares in the Capital Market Segment, benefit of margin will be given to the client till T+1 day from the sale of securities</p>
Surveillance	<p>Strict action will be taken in case any unethical practice as given below is followed by client or dealer or BM by the Department:</p> <ul style="list-style-type: none"> Synchronized trading Client Exchange Volume Client Script Concentration Illiquid stock trading Client Purchase/Sale to Income Profit loss transfer
Quarterly / Monthly Settlement	<p>Accounts needs to be settled once every quarter / month as per preference selected by the client at the time of Account Opening. In case client is trading in F&O or in Currency segment, he has to maintain the margin up to 225%. All excess collaterals / Credit Balance in client's ledger will be released upon settlement. Quarterly settlement will be done across all Exchanges and segments.</p>
General	<p>No family adjustment of ledger balances or cheque is allowed</p> <p>No Third party cheque or collateral securities will be accepted</p> <p>For franchise risk will be considered up to the level of available deposit /brokerage</p> <p>DD or P.O will be acceptable only if the same are accompanied by the name of the bank account holder and account number of the bank account debited for the purpose, duly certified by the Bank and certificate on bankers letter head..</p> <p>Positions taken as intraday can be converted to Delivery Product (MIS to NRML) subject to the availability of credit balance or on confirmation of Fund transfer.</p>

	<p>Cover Order is not available for option trading.</p> <p>All CO and MIS positions will be automatically squared off at the end of the each trading day.</p> <p>AMO will be cancelled if the price entered is more than 15% away from the LTP in either direction.</p> <p>AMO will be cancelled if client do not have sufficient funds</p> <p>Positions will be squared off immediately, if a cheque bounces (due to any reason).</p> <p>Trading in Z group is not allowed.</p> <p>No unlimited access granted on any Client ID, Dealer ID and Branch ID</p> <p>Restrictions on Far-month contract</p>
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RMS Policies and Procedures

A. Setting up client's exposure limits

The Exchange may from time to time fix client exposure limits in the interest of orderly working of the markets. Within that overall ceiling, a client can trade within the exposure limit set from time to time by the Broker for the client.

Exposure Limit is fixed on the basis of the funds and value after hair cut of the securities provided by the client for margin. Clients are requested to adhere to the exposure limits as crossing the limit may involve either a call for margin or restriction on further position / exposure.

CIPL/CCFPL Capital may need to vary or reduce or impose new limits urgently on the basis of risk perception, risk profile of the client and other factors considered relevant including but not limited to limits on account of exchange / SEBI directions / limits (such as broker level / market level limits in security specific / volume specific exposures etc.).

Sometimes the CIPL/CCFPL Capital may be unable to inform the client of such variation, reduction or imposition in advance. CIPL/CCFPL Capital shall not be held responsible for such variation, reduction or the client's inability to route any order through trading system on account of any such variation, reduction or imposition of limits.

In the sole discretion of the Stock Broker, a client may be allowed to trade beyond exposure limit or the limit may be increased. A client having availed such indulgence shall not be heard to complain about his trades only on this account and shall meet the margin shortfall at the earliest without waiting for reminder. The golden rule is Limit your exposure so as to limit your risk to your means.

1. **While computing the available margin following parameter consider-**
 - Margin based limit is set on combined basis for Cash & F&O Segment
 - clear credit lying in client's settlement and margin ledger account
 - holdings in Client Unpaid Securities account and client collateral account (after deduction of applicable h/ c)
 - Any Online funds transfer or hold amount through bank gateway
 - Credit received against sale of- securities provided
 - Margin amount of open positions (in case of derivatives)
 - Outstation cheques are not entertained. All the cheques collected against trading positions should carry a valid MICR number.
 - All the cheque dishonor cases are viewed seriously and debit amounts in such accounts will be cleared from surveillance dept. The normal rule for 5 days debit will not be applicable while selling the shares in cheque dishonor issues.
2. Exposure limits shall be only against approved securities as decided by the Exchanges/CIPL/CCFPL Capital from time to time. CIPL/CCFPL Capital may from time to time

change the applicable hair cut or apply a haircut higher than that specified by the Regulators/Exchanges.

3. In case of derivatives, Clients shall be allowed to trade only up to the applicable client wise position limits set by the Exchanges/Regulators from time to time
4. List of approved collaterals / securities along with applicable haircut, is subject to revision from time to time based on Exchange approved list,
5. In order to ensure smooth settlement on T + 2 day, client has to ensure that entire balance payment against purchase and entire delivery against sale orders reaches the broker's specific bank and DP a/c on T + 1 day or latest by 9.30 a.m. on T + 2 day.
6. In case of clients' failure to deposit funds against their purchases by above mentioned time schedule, penal action against the clients at the discretion of the stock broker will be taken, which will include non-delivery of shares to them, sale of shares in the market.

7. In case of clients' failure to deliver shares against their sale orders by the above time schedule, penal action will be taken by the stock broker at his discretion which will include penalty for short delivery as imposed by the Exchange, auctioning of shares by the Exchange, debiting on account of internal shortage.

B. Setting up Terminal/Branch Level limits

Trading Terminals are allotted to Members by exchanges. These terminals enable members to place, modify and execute orders on behalf of clients. There may be instances where due to punching error unusual orders may be placed at high prices which might lead to execution of unrealistic orders or orders being executed at unrealistic prices. In cases where the order/price of such orders is high, it might lead to huge losses to broker. In order to avoid such a situation it is imperative that certain limits are prescribed for each terminal allotted to member broker.

We ensure documentation of internal controls on areas like order modification / cancellation, client code changes and post-trade activities are in place and are being updated from time-to-time.

We ensure monitoring mechanism for client's debits / obligations and appropriate collection procedures.

The following limits shall be defined for each terminal:

- Quantity Limit for each order
- Value Limit for each order
- User value limit for each user ID
- User quantity limit for each user ID
- Branch value limit for each Branch ID
- Spread Order Quantity and Value Limit (Derivatives & Currency Derivatives segment)

Checks in place

- We have a dedicated Risk monitoring team of 6 people who monitor the exposure, limit, etc.
- We have NEST/Now Terminal which has a facility to block the client as well as restrict to use over exposure.
- Terminals limits will be set up by the Front Office official designated at Corporate Office.
- Direct terminals will be allotted on exceptional basis only.
- No user/ branch will be provided unlimited limit.
- Limits shall be monitored on daily basis, taking following criteria's: Turnover, Exposure, past trends, Location, Deposit/Collateral.
- Trading in illiquid scrip shall not be permitted.

C. Order Receipt and Execution

All Orders routed through Nest /Neat/Bolt & Now are monitored by our risk department and after their confirmation about client's financial and margin status order get executed.

The dealers take utmost care while executing the trades of the clients regarding the accuracy of Client Code, Quantity and Price etc. The orders from the client's are promptly executed by the dealers and the oral confirmation of the placement of the orders is immediately provided to the clients. Moreover, only registered clients are allowed to enter the dealing room for placing the orders.

The clients are divided into groups among the dealers and sub brokers at head office level, so that particular dealer can serve a particular group of clients which helps dealer to understand the client investment strategy in a better way & serve them accordingly. The orders are entered instantly by the

dealer on the instruction given by the client. On execution of valid order into trade, dealers confirm the trade with the client so as to avoid any future dispute.

At the end of the trading hours, the dealer informs the clients about the execution of the orders placed by the clients. Also a trade confirmation SMS message covering details of all the trades executed is forwarded to client after completion of trading hours on registered Mobile No. of the client.

We have telephonic recording system for receipt of order and maintained the said record in machine and increased the hard disk capacity to store increase data and also transfer the same record in tape and maintained the said tape in safe custody forever.

D. Monitoring of Debit Balances

We have system of monitoring client debit balances on a daily and online basis. We have dedicated resources to monitor the debtors as well as asking for the margin cheque. Clients are followed up by tele-calling, sending SMS and e-mails and remarks are noted for each client.

No trade is allowed if debit balance continues for one week

No fresh trade is allowed unless old dues are recovered.

Clients of Sub-brokers and Authorized Persons are handled by them and us both.

The debits in client's account are either secured against sub-broker's deposits or are secured against collaterals.

The company has a policy not to transfer the securities of the client till the payment in respect thereof is received.

In compliance with the SEBI circular No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated 20th June 2019, the following changes have been made with effect from 1st October 2019:

1. If the client buys stocks without having a clear credit balance in his ledger or without making payment for it before payout date, the stocks will not be transferred to client's demat account. In case the client fails to make the payment for the stocks bought by him within 6 trading days, such stocks will be sold on 7th trading day without prior approval from the client at prevailing market rate. In case the payment gets reflected in the bank account within 6 trading days, the corresponding stocks lying with us shall be transferred to client's demat account within 24 hours after the amount reflect in CIPL bank account.
2. In case of sale of shares without recourse to the client, the proceeds shall be adjusted towards the outstanding dues from the client. In case there still remains any further debits, the same shall be cleared by the client immediately.
3. In case the client makes part payment, CIPL reserves the right not to transfer the stocks to client's demat account until the payment is received in full. However, CIPL may consider transferring a part of stocks to client demat account as per the risk assessment after keeping sufficient margin towards balance dues.

Exchanges follow a settlement schedule of T+2 in Capital Market segment, daily MTM settlement & Final Settlement in Derivatives segment.

As per CIPL/CCFPL policy the customers need to pay the debit balance on the day of purchase itself or on next day. The left out clients' debit will not be allowed to carry forward beyond 5 days. No extension is possible beyond 5 days in whatsoever circumstances. All the debits aging more than 5 days will be cleared from Surveillance dept without further intimation to branches.

We have a system of sending clients Financial & Demat confirmations quarterly by 15th of the following month. The Confirmations are sending in hard copy physically and through e-mail (whatever possible) with the 30 days clause in it.

E. Client Code Modification:

Trades are done only on the exchange platform and if any trades need to be transferred because of wrong punching code it is done in the exchange platform system. Client code modification will be done within the time limit given by the respective exchange.

The reason for the modification is to be analyzed by the risk management department with regards to clients ledger a/c; demat a/c; trading pattern etc. & if found to be genuine then modification will be approved. Modification will be allowed only in delivery trades in which error was occurred genuinely.

Penalties & actions taken by the exchange against the broker / member shall be passed on to the respective client & in addition penalties & action shall be taken against the Sub-Broker's / AP's / Branches / Dealers.

F: Voluntary Freezing/Blocking online access of the trading account:

CIPL shall make available to the clients two modes of the following 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: -

- a) Email from registered e-mail ID to stoptrade@compositeinvestments.com.
- b) SMS from registered mobile number to
- c) Written (physical) request in case the client wishes to do so.

On receipt of the request, the following action shall be taken for freezing/blocking of trading accounts.

Acknowledgement for receipt of such request will be sent to the client either to the registered mobile number or to the registered email id.

1. The timelines for freezing/blocking of the online access of the clients' trading account is as under:

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

Trading hours shall be as follows:

Capital Market Segment: 9.15 a.m. to 3.30 p.m., Equity Derivatives Segment: 9.15 a.m. to 3.30 p.m., Currency Derivatives Segment: 09.00 a.m. to 05.00 p.m., Commodity Derivatives Segment: 09.00 a.m. to 11:30 p.m.

2. Post freezing/blocking the client's trading account, CIPL will send a communication on the registered mobile number and registered e-mail ID of the client, stating that the online access to the trading account has been frozen/blocked and all the pending orders in the client's trading account, if any, have been cancelled along with the process of re-enablement for getting the online access to the trading account.
3. Details of open positions (if any) shall also be communicated to the client alongwith contract expiry information within one hour from the freezing/blocking of the trading account.
4. CIPL shall maintain the appropriate records/logs including, but not limited to, request received to freeze/block the online access of trading account, confirmation given for freezing/blocking of the online access of the trading account and cancellation of pending orders, if any, sent to the clients.

Re-enabling the client for online access of the trading account:

CIPL shall re-enable the online access of trading account after carrying out necessary due diligence including validating the client request and unfreezing / unblocking the online access of the trading account.

This document is modified in consultation with the respective departments on 9th May 2025 with due changes as per the SEBI guidelines, Exchange directives and the changing scenario of stock markets and placed before the Board for review and approval.