

## CONSORTIUM SECURITIES PRIVATE LIMITED

### RISK MANAGEMENT POLICY

**Consortium Securities Private Limited (CSPL)**, as a Corporate Broking entity and for providing hassle free Depository Operations, conducts its business operations based on sound Risk Management Policies to pursue prudent business practices and, for providing hassle free trading / investment facility to its registered Customers. The function of Risk Management being an ongoing exercise is reviewed periodically and necessary measures are initiated to enhance its overall effectiveness.

#### Product

Customers can place orders for Delivery, Intraday trades across segments i.e. Cash and Derivatives (Derivatives include F&O, Currency, Commodity) on CSPL trading platform. CSPL also allows Bracket Orders (BO) and Cover Orders (CO) as Intraday products.

In Cash Segment CNC trades customers are required to have in their ledger balance funds up to the 100% of the gross value of stock at the time of the transaction. Currently no margin is provided for CNC trades on CSPL.

In Cash Segment for Delivery & Intraday trades, CSPL customers are provided a limit which is as per the exchange defined VAR+ELM for the respective scrips and subject to a minimum of 20%. For e.g.: customer A has effective ledger balance of Rs. 50,000 and wishes to buy a scrip X, assuming that the VAR+ ELM for the scrip X is 25%, customer can buy/sell scrip X only up to worth Rs. 2,00,000 for Delivery & Intraday.

In derivative trades, the CSPL customer is provided exposure as per exchange defined margin requirements. For Futures and Options traded on NSE/BSE/MCX, the trading limit provided to the customer is as per margin requirements for the respective contract. For Example, customer wishes to trade in 1 lot of Nifty, assuming the margin required to create position in 1 lot of Nifty is Rs. 1,00,000. The customer needs to have an effective ledger balance of at least Rs. 1,00,000 to initiate the trade. The effective ledger balance is arrived by adjusting financial balance (+/-) in financial ledger across all the segment/exchange plus value of securities pledged/repledged (after appropriate haircut) + value of securities in CUSA (after appropriate haircut) and other form of collateral available as margin.

### **Margin from Customers**

CSPL shall allow trading to its Customers only on receipt of margin in advance

### **Mode and manner of acceptance of Margin**

CSPL shall accept margin in following mode and manner

- a. Cash
2. FDR
3. Bank Guarantee
4. Securities, Mutual funds, Bonds and debt instruments as approved by the stock exchanges/clearing corporation
5. Securities which is actively traded on the stock exchanges through not forms part of the exchange/clearing corporation 's list of approved securities and not categorized as Z group, Trade for Trade and part of ASM/GSM mechanism.
6. Any other form which is specifically categorized not acceptable as per rules, regulations and bye-laws of the stock exchanges/clearing corporation.

**Note :** Exposure / Margin on securities shall be granted after applying appropriate haircut not less than the applicable VAR percentage. The company reserved its right to apply higher haircut on securities based on its own risk assessment and risk parameters.

### **Restricted Stock Contracts**

In the cash segment, Illiquid stocks are those that cannot be sold easily due to limited trading volume. These stocks pose higher risk to investors because compared to frequently traded shares. Stocks that are not liquid are restricted for purchase on CSPL. The stocks that are restricted on CSPL belong to GSM category. And all the stocks above ASM stage 2 are visible.

CSPL reserves the right to refuse execution of any transaction requests of the customer on restricted securities.

CSPL has restricted trading in some options and future contracts to avoid manipulation of price and for the protection of Customers . The criteria for restriction is based on the open interest and its liquidity in the market.

### **Norms for Trading in Restricted script:**

In order to exercise additional due diligence some scripts are restricted at CSPL Trading platform. That scrip can be bought through a centralized call and trade desk with predefined norms. CSPL shall not be responsible for non-execution/delay in execution of orders in restricted scripts consequential opportunity loss or financial loss to the customer.

### **Pre-condition:**

1. For buying in restricted script Customers must have clear financial credit in account.
2. Order will be executed after due diligence from the RMS side.
3. Max order value will be as per the RMS discretion or 10% of the exchange volume of that script.
4. Restricted script will be traded through Centralized call and trade desk.
5. Restricted scripts purchased through the Centralized desk will not be allowed to sell the same day.

### **RMS Square off Policy**

#### **Near Circuit:**

In the cash segment, fresh intraday positions shall not be allowed once the stock's LTP reaches 90% of the defined circuit limit for the day. Additionally the RMS team reserves the right to square-off adverse open positions i.e. existing positions in loss wherein the stocks LTP reaches 90% of the defined circuit limit for the day, subject to best available price and quantity.

#### **System Failure :**

If due to reasons such as connectivity, link or system failure, i.e. circumstances beyond control, an intraday position is not squared-off then it will be treated as a carry forward position and RMS reserves the right to liquidate the same on next trading day as soon as markets open for the day, if required margin is not available.

#### **Mark to Market square-off :**

CSPL 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 CSPL. The position will be reduced on the best effort basis and the customer will be liable for any losses on square-off. All pending orders of the customer will be cancelled. If a customer is creating a buy position in options, then the full payment of the premium shall be blocked. In case of any MTM calculations or margin requirements, this option premium shall not be considered as a part of the calculation.

#### **Ageing based square-off :**

It is the customer's obligation to clear ledger debit balances in T+2 days ( 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 CSPL reserves the right to liquidate the stock upon ageing of the ledger debit beyond T+6 days. The stock will be sold from customers accounts latest on T+7 days for the ledger debit. For e.g.: All trades executed on Monday will be squared off latest on next Wednesday (T+7) where T indicates Trading day

#### **Margin shortfall based square-off :**

The customer needs to maintain the defined margin to retain position in derivatives segment ( FNO, Currency, Commodity ), RMS team reserves the right to initiate liquidation of position up to the required margin at any point of time. If the defined margin or exchange margin is short any open position can be squared-off at the CSPL discretion.

**Note:** RMS liquidation will be done on T+1 basis for the Mark to Market (MTM) debit/margin shortfall. Even if due to sudden scrip volatility during the day, if a shortfall arises during the day due to MTM loss or margin increases, RMS liquidation will be done on the same day.

On T+1 day the required margin needs to be maintained before 9.00 AM in order to continue holding the position.

CSPL provides a limit as per Exchange norms only but Margin shortfall (End of day Margin or Peak Margin ) penalty can be imposed in case of sudden volatility in market and margin increase by exchange or Hedge position unlock by the Customers.

Customers are required to maintain at least 50% required margin in cash. Though trading exposure( Limits) may be granted on other form of margin however e.g. securities non maintenance of 50% margin shall attract penal interest on the shortfall of cash margin below 50%.

### **Physical Settlement of F&O and Commodity Contracts**

#### **Equity Derivatives :**

In case of derivative contracts; starting from 3 days prior to expiry ( i.e. Monday, start of expiry week) , only intraday trading will be allowed and no fresh carry-forward position will be allowed. If the customer wishes to take or give physical settlement of derivative contracts, they would be required to maintain margin, which is to the tune of 100% of the contract value before 12.30 pm on expiry day (Thursday ). If for any reason, in case there is a margin short-fall ( i.e. less than 100% of the contract value) , CSPL reserves the right to square-off the position. In case the position does not get squared-off for reasons such as liquidity constraints, option contract getting converted to 'In The Money' during market hours etc., the costs (penalties/losses) of physical delivery will be applicable to the customer.

#### **Commodities:**

Commodities with compulsory delivery will be closed a day before their respective tender period / delivery intention. Physical Delivery of Positions is not allowed. All the deliverable contracts of MCX enter 'Tender Period positions' as mentioned by exchange from time to time. Customer's positions will be squared-off one day prior to the start of the 'Tender Period' of the contract. No positions will be allowed to carry over in Tender Periods. Please note, the creation of new positions in contracts will be blocked 1 day prior to the initiation of the 'Tender Period'.

### **Commodity Delivery Options Blocking Before Devolvement Period :**

Based on the criteria specified in the SEBI circular exchange shall identify option commodities which shall be settled through devolvement of future contract. Commodity delivery option contracts pertaining to devolvement will be blocked for further trading from T- 4 days before current month expiry day. (Only square off allowed for current month expiry options).

### **Payouts of Funds :**

Customers can withdraw the surplus amount available in the CSPL trading account at any point of time by placing a fund payout instruction. However, quarterly/monthly settlement of funds as per the option opted by the client in running account settlement.

### **Pledge and Repledge of Securities**

With reference to SEBI circular reference no: SEBI/HO/MIRSD/DOP/CIR/P/2020/143 dated July 29, 2020 & SEBI/HO/CFD/DCR-2/CIR/P/2020/164 dated September 02, 2020, all the Collateral margins can be given only in accordance with the mechanism of Securities Margin pledge/Repledge to TM/CM or Clearing Corporation (NCL). The request shall be initiated by the customer.

### **Dormant Account**

An account shall be marked dormant if there's no trading activity observed for a period of 12 months. Dormant customer mark inactive at CSPL Trading and back-office platform no further trade will be allowed.

### **Delayed Payment Charges**

On ledger debit, if debit obligation is not clear up to the settlement day, then CSPL will charge delayed payment charges at .065% per day. As per exchange norms, in order to trade in Cash and derivatives, the margin needs to be 50% cash/cash equivalent and only 50% non cash. Thus, any shortfall in Cash or Cash equivalent will levied Interest at the rate of 0.065% per day.

### **Disclaimer**

CSPL is not engaged in the business of customer funding. The limits or exposure to trade provided by CSPL to its customers is as per the regulations of exchanges and SEBI specified from time to time.

Investments in securities are subject to market risk. The CSPL 'Account Opening Form' provides an explanation of different types of risks the customers are likely to face in the market. While the risk of

loss is inherent in the market, the 'CSPL Risk Management Policy' referred to as Risk Policy hereafter seeks to make the client aware of the risk controls and measures taken by CSPL to minimize potential losses. It is important for a customer to be aware of the Risk Policy and the way the policy would operate to regulate transactions. The Risk Policy adopts measures and precautions to contain risks to the minimum; however, the Risk Policy is not an insurance against losses. The Risk Policy is subject to change according to risk perceptions of the market and SEBI/Exchange regulations.

Risk policy is subject to change and modification depending on market scenarios , regulatory changes and CSPL discretion. New policy would be approved and uploaded on website of CSPL for reference whenever its changes.

SEBI Stock Broker Registration No: INZ000183831 | Depository Participant (NSDL ) DP-ID : IN 302316.  
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