

RISK MANAGEMENT POLICY

Risk management is an integral part of the “Competent Finman Pvt. Ltd.,” (herein referred as “Competent Finman Pvt Ltd.”) approach to decision-making and accountability. Competent Finman Pvt Ltd., (CFPL) is working as a Corporate Broking entity, conducts its business operations based on sound Risk Management Policies to pursue prudent business practices and, for providing hassle free trading to the registered clients.

Various Risk Management Measures implemented by CFPL are detailed below:

1. CLIENT’S EXPOSURE LIMITS:

As per SEBI circular ref. no. SEBI/HO/MRD2_DCAP/CIR/2021/0598 dated July 20, 2021, regarding Segregation and Monitoring of Collateral at the client level, the trading limit will be provided to client once the funds are allocated at the clearing corporation/Clearing Member.

Margin/Deposit based limits are assigned to the customers for trading purpose. VaR/SPAN margin including any additional margin as specified by the exchanges or as per our own assessment is blocked at scrip level on the positions taken by the clients during the day.

- **Deposit calculation:** Deposit is calculated at customer level after netting off ledger balance. Margin is calculated as follows:

Valuation of margin pledge on eligible scrips: Margin pledge valuation is done on T-1 day’s closing price. Net valuation is calculated by applying appropriate haircut based on VaR margin percentage specified by the exchanges.

Margin Limit in Cash segment: CFPL provide Margin based limit on the clear balance available in the customer’s ledger account in our books, value of collateral benefit on pledged securities after applying haircut on holding lying in the client account and credit for sales.



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Margin Limit for F&O: CFPL provides margin limit in F&O based on availability of initial and exposure margin upfront available into the client account in the form of Clear Financial Ledger, cash collateral and non-cash collateral.

2. HANDLING OF SECURITIES FOR THE CUSTOMERS

- It is the client's responsibility to clear his/her obligations by T+1 days (T indicates Trading day). If the client clears his/her obligation within T+1 days, then those fully paid securities will be transferred to the respective client's Demat Account provided the net financial ledger balance after considering outstanding margin obligation (across exchange) is not in debit.
- If the client is unable to clear his/her obligation within T+1 days, then those unpaid securities of the client shall be transferred to Client unpaid securities pledged A/c CUSPA. by creation of an auto-pledge (i.e., without any specific instruction from the client) with the reason "unpaid".
- In case of receipt of partial payment from the client, the securities amounting to the value of such part payment will be transferred to the client's Demat account and remaining unpaid securities shall be pledged in CUSPA.
- The securities pledged in 'client unpaid securities pledgee account' shall be transferred to the demat account of respective client upon fulfillment of client's funds obligation.

"The margin shortfall in F&O Segments"

As per the Exchange requirements, the CFPL is required to maintain a prescribed ratio between cash and non-cash collaterals deposited with the Exchange. CFPL shall therefore have the prerogative to insist for at least 50% margin in cash and may not consider the value of securities over and above the cash component for the purpose of calculating margins shortfall and may close the F&O.

The client needs to maintain the defined margin to retain position in derivatives segment (FNO), RMS team reserves the right to initiate liquidation of position up to the required margin at any point of time.



All markets:

- Client is not having adequate margins as per conditions in Risk Management policy.

3. PHYSICAL SETTLEMENT OF STOCK DERIVATIVES

As per SEBI circular starting from October 2019 expiry, if client hold a position in any Stock F&O contract, at expiry, he/she is required to give/take delivery of stocks.

Accordingly, if clients hold a position in any Stock F&O contract, at expiry and doesn't square off positions before the close of trading hours on the expiry day, he or she will either have to take delivery (for long futures, long in the money calls, short in the money puts) or give delivery of the underlying stock (short futures, long in the money puts, short "In the money" calls) as per the nature of contract.

Obligation of the clients :-

All positions that result in receiving delivery of shares will require the clients to have funds equivalent:

- For Futures: Settlement Price * Lot Size * Number of lots
- For Options: Strike Price * Lot Size * Number of lots
- TEMPORARILY SUSPENDING OR CLOSING A CLIENT'S ACCOUNT AT THE CLIENTS' REQUEST

CFPL may carry a periodic review of the client accounts and may suspend the accounts from trading in the following circumstances:

- The client is inactive for more than 12 months.
- The account is under investigation by any regulatory body.
- ECN failed (bounced email) on more than 3 instances until client submits and registers new email id.
- Non-delivery of the Statement of Account sent on periodic basis.
- Unauthorized Trades being executed in the account.
- On notices received from statutory, Government or Local authorities and Income Tax, a Judicial or Quasi-Judicial authority, etc.
- CFPL may also suspend the account based on the written request received from the client.



4. REFUSAL OF ORDERS FOR PENNY STOCKS/ILLIQUID STOCKS/DEEP OUT OF MONEY OPTIONS

Penny/ illiquid Stocks are traded at relatively low price and market capitalization.

CFPL shall have absolute discretion to accept, refuse or partially accept any buy or sell order for execution from a client in respect of penny stocks, illiquid stocks, stocks having low liquidity, illiquid "options", far month "options", writing of "options", and any other contracts which as per the perception of CFPL are extremely volatile or subject to Market manipulation.

CFPL may permit restrictive acceptance of orders in such scrips/contracts in controlled environments like orders received from clients being forwarded by branches to a centralized desk at HO instead of allowing trading in such scrips/contracts at branch level or through online trading platform. CFPL shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the client.

5. REPORTING TO THE EXCHANGE(S)

In case the client is found indulging in suspicious activities, CFPL may report such transactions to the exchange(s). The company is not responsible for any loss incurred by the client. The company will share all the required information to the regulator, exchange, or any other recognized regulatory body when any clients specific details is asked for. The company reserves the right to inform the client based on the directions received by the above mentioned regulatory body.

6. FACILITY OF VOLUNTARY FREEZING/ BLOCKING THE ONLINE ACCESS OF THE TRADING ACCOUNT TO CLIENTS ON ACCOUNT OF SUSPICIOUS ACTIVITIES

(As per requirements of SEBI Circular No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024)

- Modes through which a client can request/communicate to the Trading Member:-

If any suspicious activity is observed in the Trading Account, the client may request us to voluntarily freeze/block the online access of the trading account through any of the following communications to us at the e-mail ID **stoptrade@competentfinman.com** and/or telephone number **+91 98759-82503**.

- a) Email from registered e-mail ID
- b) SMS / Call from registered mobile number



- Issuing of acknowledgement to the clients on receipt of message:-

After validating that request, Member will issue the acknowledgement as well as freeze/block the online access of the client's trading account.

Time period within which the request shall be processed and the trading account shall be frozen/blocked:-

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 and Equity Derivative Segment Market Segment: 9.15 a.m. to 3.30 p.m.,

**To begin with, the time limit of 15 minutes is being specified for the purpose of issuing acknowledgement as well as freezing/blocking of the online access of the trading account. This time limit shall be contracted after a review in next six months after the date of its applicability to enhance protection of investors from suspicious activities.



Action to be taken by the Trading Member pursuant to the receipt of request for freezing/blocking of the trading account:-

The Trading Member shall take the following actions on the receipt of request through any modes of communications as provided by the Trading Member for freezing/blocking of the online access of the trading account from the client:

- a. Validate that the request is received from the client as per prescribed mode of communication and issue the acknowledgement as well as freeze/block the online access of the client's trading account and simultaneously cancel all the pending orders of the said client.
- b. Post freezing/blocking the client's trading account, 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.
- c. Details of open positions (if any) should also be communicated to the client along with contract expiry information within one hour from the freezing/blocking of the trading account. This will eliminate the risk of unwanted delivery settlement. This time limit shall be contracted after a review in the next six months after the date of its applicability to enhance protection of investors from suspicious activities.

• Process for re-enabling the client for trading/transfers:-

The Trading Member 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.

• Intimation to be provided by the trading member to the client:-

Post freezing/blocking the client's trading account, 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.



It is also clarified that:

- a. Freezing/blocking is only for the online access to the client's trading account, and there shall be no restrictions on the Risk Management activities of the Trading Member.
- b. The request for freezing/ blocking does not constitute request for marking client Unique Client Code (UCC) as inactive in the Exchange records.

The Company reserves right to amend/modify any of the policies/procedures mentioned above from time to time depending upon regulatory, market, external conditions and our internal risk management framework, and the customers can obtain such change/ modification from the Company's website.

Last reviewed on 02.07.2024

