

## 5. POLICIES AND PROCEDURES

### 1. Penny Stocks :

It is necessary here to clarify that our esteemed Clients may kindly note that all the stocks and securities listed on a given Stock Exchange are not actively traded i.e. are not very liquid. In other words, there are no readily available sellers or buyers in some securities and / or there are not sufficient trades or volumes from which the market price may be arrived at with some reliability. Such stock are called “illiquid securities” or “Penny stocks”. They are comparatively more vulnerable to market manipulation / price rigging. The spread, i.e., the difference between the offer price and bid price is usually wide and their purchase or sale at a given time may be difficult and in any case uncertain. Exchanges bring out monthly list of such securities based on the volume during the last calendar month.

The same gives an account of not encouraging any kind of trade in penny stocks. In exceptional cases, before allowing a trade in illiquid securities or less liquid securities, the Stock Broker may make further enquiry/ies, like the nature and duration of holding or client's trading experience, knowledge about the risks in penny stock, risk appetite and proportion of such stocks to total investment, etc.. This may cause time gap between placing an order and its execution. The clients will have to bear that risk of delay in execution or rejection in respect of illiquid securities. In addition, as the degree of risk cannot be calculated we may impose higher margin percentage upto 100% value of the trade and/or fix small exposure limits in respect of such stocks. Client's instructions for trading in illiquid securities may be rejected without assigning any reason.

### 2. Setting up Client's Exposure Limit :

We may impose and vary limits (including exposure limits, turnover limits, margin limits, securities wise limits in respect of which orders can be placed etc.) on the orders that the client can place through us. Exposure limits are fixed on the basis of funds and securities (valued after hair cut) 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. We may need to vary or reduce the limits or impose new limits on the basis of the risk perception, risk profile of the client and other factors considered relevant by us and not limited to the limits as per the Exchange / SEBI directions. We may subject any order placed by the client to review before its entry into the trading system and may refuse to execute/allow execution of any order due to but not limited to the

reason of lack of Margin/securities or the order exceeding limits set by our surveillance/Exchange/SEBI and any other reason which may be deemed appropriate in the circumstances. The losses, if any, on account of such refusal or due to delay caused by such refusal or due to delay caused by such review shall be borne exclusively by the client.

We have margin based RMS System in which, total deposit (excluding over-concentration value of the securities) of the client is uploaded in the trading system and the client may take exposure on the basis of applicable margin for the intended security as per the VAR based margining system of the Stock Exchange and margin defined by the company on their scrip wise Risk perception. Client may take the benefit of “credit for sale” i.e., benefit of shares held in margin by selling the same by selecting delivery option through order entry window in the trading system, whereby the value of the shares sold will be added with the value of deposit and on the basis of aggregate, client may take exposure. In case of exposure taken on the basis of shares margin, the payment is required to be made before the pay-in date otherwise it will be liable to square off any time due to shortage of margin. Further, in the derivative segments, if some special margin is imposed by exchange, the same must be met on the same day before closing of trading otherwise position of the client will be liable to square off due to shortage of margin.

In the sole discretion of the Company, 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.

### 3. Brokerage Rate :

We do not charge any brokerage in excess of the rate(s) provided by the SEBI / Exchange. The agreed rates of brokerage are part of this book-let and the clients are advised to fully satisfy themselves about the same before signing. The brokerage is charges on both Buy & Sell, except otherwise indicated in the schedule of brokerage. Brokerage rates may be changed from time to time but shall not be increased without prior 15 (fifteen) days' notice. Only Head Office is competent to reduce the rates of brokerage and no employee or officer at Branches is authorized to do so. Any reduction in rate should

not be taken as effective unless reflected in the contract notes.

#### **4. Delay Payment Charges and Penalties :**

Clients are required and expected to meet their fund obligations immediately, when due, as per SEBI / Exchange requirements and not make us use our funds to meet their fund obligation. For the clients who do not pay on time your broker has to pay or the client has to suffer penalties by the Exchange. So as to be compensated in such an eventuality, we may levy Delay Payment Charges on the amounts, not exceeding the debit balance in the ledger, for the period of delay at a rate upto 0.07% per day calculated on daily basis for the period of delay.

Credit balances with us shall not attract any interest.

We may impose reasonable penalties for bouncing of cheques, bad deliveries, non-delivery, auction on failure of payment, non-payment of margin money, excess margin or any trades, actions or omissions contrary to the Rules, Regulations and Byelaws of the SEBI or Exchange, to discourage such violations and recover the same from the Client's Account directly.

Where the Company has to pay or suffer any penalty from any authority as a consequence of / in relation to / in connection with any orders/ instructions/ trades/ deals or actions of a client, the same shall be borne by the client.

#### **5. Right of Sale of client's securities or closing the client's open position without giving notice :**

We do not believe in selling clients' securities or closing out their positions without sufficient notice to them. On the other hand, we expect our esteemed clients to ensure timely availability of funds / securities in required form and manner, within the stipulated time and in the designated bank and depository account(s) for meeting their liabilities and obtaining proper credit thereof. The requirement of margin and the value of any security given/treated as Margin varies and multiplies with market volatility.

Higher is the margin deficit, shorter would be the time to make it up. However, in case the available margin falls below the given percentage, informed in advance, we reserve the right to sell a client's securities or to close out his all or some open positions without notice to prevent escalation of risk. The client may, however, have no grievance if we do not take such action and wait for the client's margin/response.

We would have the discretion to square off the position of Client/s in following circumstances:

(a) In case of Margin Trades, if the open position is neither squared off nor converted to Delivery by Client/s within

the stipulated time or where Mark to Market Loss on the open position has reached the stipulated percentage of the margins placed with us.

(b) In all other cases where the margin or security placed by the Client falls short of the requirement or where the limits given to the Client have been breached or where the Client has defaulted on his existing obligation within the stipulated time.

All the losses based on actual executed prices, brokerage, charges and penalties levied by the Exchange relating to the Square off shall be borne by the client.

#### **6. Shortages in obligations (arising out of internal netting of trades or otherwise) :**

Where a client fails to meet his securities pay-in obligations as due for any settlement and auction is not made by the Exchange because of reasons like internal netting of trades, then either auction takes place in the exchange or if the delivery is client to client, then the client's account is debited for such short delivery at "valuation price or the average of auction rate", whichever is higher. The buyer client shall be credited with the same amount as debited to seller client. In case, no auction price is available in a particular instance, the above mentioned debit/credit shall take place at closing price on the auction day plus 10% and trading day to auction day high price, whichever is higher. If the buyer-client requires delivery of the said shares, he is advised to buy the same next day from the market on his own.

Where a client buys securities in one settlement, and sells the same in a subsequent settlement, without having received the payout of the securities, any resulting auction / losses will be the sole responsibility of the client.

#### **7. Conditions under which a client may not be allowed to take further position or his existing position may be closed :**

Subject to a client's KYC verification and his meeting initial margin and other margin requirements, a client may take positions. However, he may not be allowed to take further position and/or the open positions may be squared off by us under any of the following circumstances:

- a. SEBI or Exchange imposing restrictions on further exposures in cases of extreme volatility in the market or in a security or group of securities or the client's margin falling short due to volatility or otherwise.
- b. Client or the Broker exceeding or touching exposure limits set by the Exchange in the particular scrip.

- c. Reasonable doubt of the transaction or identity of the client being bonafide (Genuine/authentic/proper) in the light of the financial status and objectives as disclosed in the KYC form.
- d. Reasonable doubt as to the transaction being cross trade, circular trade, fraudulent practice or connected with price manipulation or market rigging.
- e. SEBI or other competent authority issuing a debarment order against the client from buying, selling or dealing in securities, unless the order is vacated.
- e. The client is convicted of fraud or other offence in relation to securities and the said conviction is not stayed by that authority or court or superior thereto.
- f. The account being inactive has not been got reactivated within two years of inactivation.
- g. The client, to the reasonable belief of the stock broker, has defaulted in payment of its debts to any other financial institution or intermediary, or admitted its inability or is unable to pay its debts as they become payable.

De-registering of a client will not absolve him from his obligations for transactions at the time of de-registration.

### **8. Temporary Suspension or Closing of Account at Client's Request :**

The client may, at times, like to suspend his account for some time due to reasons like – illness, holidaying or pilgrimage. We shall act on the instruction to suspend the transactions in an account on receipt of a written request by the client. However, the client will be responsible for all his positions till that time and shall make arrangements for due discharge of his obligations in respect of such transactions and account maintenance charges.

A suspended account may be made active by another instruction in writing by the client.

The client, subject to his meeting all obligations regarding pending positions, may seek closure of his account by a letter in writing duly signed by him. Such request shall be effective from the time it has been noted in the stock broker's computer system and the client shall be liable to meet all his obligations.

The request for suspension, re-activation or closure of account should be made by the client and not by his Power of Attorney Holder (POA). The Company may also withhold any payouts of client or suspend his trading account due to any surveillance action or judicial/regulatory direction or in the circumstances it would be reasonable to do so.

### **9. De-registering a Client :**

The stock broker may de-register a client in any of the following events:

- a. Death of a client who is a natural person;
- b. Liquidation or winding up of a client who is a corporate; dissolution of the partnership if client is a partnership firm.
- c. Insolvency or bankruptcy of the client;
- d. The client being debarred from dealing in securities by an order of SEBI, other Regulatory Authority or Court;

### **10. Policy for Inactive Accounts :**

Inactive accounts are more vulnerable to fraud or manipulation and the clients are advised to be careful not to allow their accounts to be inactive. An inactive account is one in which there is no operation during the last twelve calendar months. Such accounts may be marked as "inactive" in the Back Office without any request by the client. Transaction in an "inactive account" will be permitted after strict diligence. Client may be asked for updated KYC and request for activation in writing.

### **11. Payment Gateway :**

The Payment Gateway facility, when provided, shall depend upon the working of the Payment Gateway owned/controlled by the concerned bank/service provider. The Member shall not be responsible for any delay, defect or discontinuity of service of any Payment Gateway.

### **12 . Orders & Limits :**

The Clients' instructions are usually recorded by the Member. Such record shall be admissible as evidence and binding. However, any transaction or instruction shall be not be nonbinding merely because no recording is made / maintained / kept/provided.

The Member may subject any order placed by Client to manual review and entry, which may cause delays in processing of the order or may result in rejection of such order.

The Member may reject any order for reasons including, but not limited to, non-availability of funds in the Client's trading account, non-availability of securities in the Client's Demat Account, insufficiency of margin, suspension of trades by the concerned Exchange or application of circuit breaker.

The Member may, in its wisdom, permit execution of orders inspite of insufficiency of margin or in excess of trading limits. The trades, when executed, shall bind the Client and the Client shall provide such sums as may be required, to meet his

liability under such trade.

### **13. Cancellation or Modification of orders :**

Cancellation or modification of an order pursuant to the client's request in that behalf is not guaranteed. The order will be cancelled or modified only if the client's request for cancellation and modification is received and the order is successfully cancelled or modified before it is executed. Market orders are subject to immediate execution wherever possible. The client should not presume an order having been executed, cancelled or modified until a confirmation from the Member is received by the client. However due to technical or other factors the confirmation may not be immediately transmitted to or received by the client and such a delay should not entitle the client to presume that the order has not been executed, cancelled or modified unless and until the Member has so confirmed in writing.

### **14. Margins :**

The Member determines the market value of securities placed / deemed as margin after applying an appropriate hair-cut which may, in accordance with its risk perception, be higher than that prescribed by the Exchange. Further, the Member fixes from time to time concentration limits on value of individual scrips accepted for margin. Clients should monitor the market value of such securities on a continuous basis and to replenish any shortfall in the value of the margin consequent to a fall in the market value of such securities whether or not the member intimates such shortfall.

The Member shall communicate / advise the method of calculation of margin or the security requirement as rate (s) or perception (s) of dealing and the Client should self monitor their dealings, margin deposits and margin requirements and provide, the required / deficit margin/security as required from time to time, forthwith whether or not any margin call or separate communication to that effect is sent by the Member and/or received by a client. The clients should ascertain the adequacy of margin / security in acceptable form and manner beforehand prior to making any trade / order / deal, to ensure that the margin / security is adequate at all times during an open position and to make up forthwith in acceptable form and manner any deficiency or shortfall therein. If a client's order is executed and/or maintained despite shortfall in margin / security the client shall be responsible for all orders including orders executed without sufficient / non-available margin / security required by the Member / Exchange / SEBI and shall make up the shortfall suo motu at the earliest.

The Member is entitled to consider any sum or money or

security lying to the credit of the client as margin received.

### **15. Maintenance Of Trading Account :**

**Money pay-in to Member:** The client shall ensure that all payments due to the Member will be made within the specified time and in the event of any delay, the Member may refuse, at their discretion, to carry out transactions or closeout the position and the costs/losses if any, thereof shall be borne solely and completely by the client. All payments made to the Member shall be from the Bank account of the client and shall not be from any third party.

**Securities pay in to Member:** All delivery to be effected to the Member for a trade, must be made minimum one day before the pay-in date. Losses, if any, that may accrue in the event of default in completing the delivery on the exchange by the Member as a result of any delay in the delivery by the client, shall be borne solely and completely by the client. Losses for the purposes of this clause shall include auction debits/penalty charges, if any incurred as a result of non delivery of securities on the settlement date on the exchange. No third party shares will be sold through the Member nor third party payment should be made to Member and client will be solely responsible for any violation. If the client anticipates availability of securities for pay in through pay out of earlier settlements or borrowings or otherwise, which does not materialise prior to the time fixed for the same for any reason whatsoever, all losses to the client for such shortage (including auction, square off or closing out) shall be solely to the client's account and the client shall not hold the Member responsible in any manner or form.

**Securities shortages in pay-in and pay-out:** The Client shall be bound by the guidelines, including the rules pertaining to the adjustment of shortages in the client's position in securities transacted on behalf of the client, by the Member. In case of internal shortage of securities, any entry passed to the account of client in accordance with practice consistently followed by the Member across all its clients shall be binding on the client. Further in case of shortage of securities, the Member may borrow shares on behalf of the client and debit the charges for the same to the client's account mentioned with the Member.

### **16. Corporate Benefits On Securities Held On Behalf Of Client :**

Member will pass to the clients whatever corporate benefits are received from the companies directly like dividends and bonus shares, for other corporate benefits/actions like Rights issues/Open offers etc. where shareholders are required to apply to the company, it is the Client's responsibility to track announcements of such corporate benefits and then apply to

the member/company if Client so desires. Member shall not be liable for any real/notional loss suffered by the Client, if a client fails to apply for such corporate benefits in time for the shares held by the Member on behalf of the Client.

**17. Lien/Set-off :**

All funds of the client in the bank account with designated bank shall be subject to lien for the discharge of any or all payments to the Member from the client. All securities in the demat account opened in terms of the agreement with the depository participant, shall be subject to lien for the discharge of any or all payments due to the Member or to the depository participant from the client and may be held by the Member as a security against default by the client in respect of the services already availed of by the client. The Member has authority to block securities against pending order or pledge securities in favour of the Member against any of his dues. The Member shall have the right of set-off amongst all trading account maintained by the client with the Member.

**18. Indemnity :**

The Member should be indemnified by the client in case of any action initiated against the Member by any party not privy to this contract, and it shall be the duty of the client to bear out of their funds, all costs, losses and expenses which any such Member may incur or become liable to pay, by reason of any event in the course of the use of the said services of the client.

**19. Notices To The Member :**

All communications by, from or on behalf of client to the Member should be addressed to its Customer Care Department at the following destinations and may be sent by hand delivery, post, courier or electronic mail.

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