

**RIGHTS AND OBLIGATIONS OF STOCK BROKERS, AUTHORIZED PERSON, AND CLIENTS**  
**As prescribed by SEBI and Stock Exchanges**

1. The client shall invest / trade in those securities / contracts / other instruments admitted to dealings on the Exchanges as defined in the Rules. Bye-laws and Regulations of Exchanges / Securities and Exchange Board of India (SEBI) and circulars / notices issued there under from time to time
2. The stock broker, Authorized Person (hereinafter referred as 'AP') and the client shall be bound by all the Rules, Bye-laws and Regulations of the Exchange and circulars / notices issued thereunder and Rules and Regulations of SEBI and relevant notifications of Government authorities as may be in force from time to time
3. The client shall satisfy itself of the capacity of the stock broker to deal in securities and / or deal in derivatives contracts and wishes to execute its orders through the stock broker and the client shall from time to time continue to satisfy itself of such capability of the stock broker before executing orders through the stock broker
4. The stock broker shall continuously satisfy itself about the genuineness and financial soundness of the client and investment objectives relevant to the services to be provided
5. The stock broker shall take steps to make the client aware of the precise nature of the Stock broker's liability for business to be conducted, including any limitations, the liability and the capacity in which the stock broker acts
6. The AP shall provide necessary assistance and co-operate with the stock broker in all its dealings with the client(s)

**CLIENT INFORMATION**

7. The client shall furnish all such details in full as are required by the stock broker in "Account Opening Form" with supporting details, made mandatory by stock exchanges / SEBI from time to time
8. The client shall familiarize himself with all the mandatory provisions in the Account Opening documents. Any additional clauses or documents specified by the stock broker shall be non-mandatory, as per terms and conditions accepted by the client
9. The client shall immediately notify the stock broker in writing if there is any change in the information in the account opening form' as provided at the time of account opening and thereafter; including the information on winding up petition / insolvency petition or any litigation which may have material bearing on his capacity. The client shall provide / update the financial information to the stock broker on a periodic basis
10. The stock broker and AP shall maintain all the details of the client as mentioned in the account opening form or any other information pertaining to the client, confidentially and that they shall not disclose the same to any person / authority except as required under any law / regulatory requirements. Provided however that the stock broker may so disclose information about his client to any person or authority with the express permission of the client

**MARGINS**

11. The client shall pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the stock broker or the Exchange or as may be directed by SEBI from time to time as applicable to the segment(s) in which the client trades. The stock broker is permitted in its sole and absolute discretion to collect additional margins (even though not required by the Exchange, Clearing House / Clearing Corporation or SEBI) and the client shall be obliged to pay such margins within the stipulated time
12. The client understands that payment of margins by the client does not necessarily imply complete satisfaction of all dues, In spite of consistently having paid margins, the client may, on the settlement of its trade, be obliged to pay (or entitled to receive) such further sums as the contract may dictate / require

**TRANSACTIONS AND SETTLEMENTS**

13. The client shall give any order for buy or sell of a security / derivatives contract in writing or in such form or manner, as may be mutually agreed between the client and the stock broker, The stock broker shall ensure to place orders and execute the trades of the client, only in the Unique Client Code assigned to that client
14. The stock broker shall inform the client and keep him apprised about trading / settlement cycles, delivery / payment schedules, any changes therein from time to time, and it shall be the responsibility in turn of the client to comply with such schedules / procedures of the relevant stock exchange where the trade is executed
15. The stock broker shall ensure that the money / securities deposited by the client shall be kept in a separate account, distinct from his / its own account or account of any other client and shall not be used by the stock broker for himself / itself or for any other client or for any purpose other than the purposes mentioned in Rules, Regulations, circulars, notices, guidelines of SEBI and / or Rules, Regulations, Bye-laws, circulars and notices of Exchange
16. Where the Exchange(s) cancels trade(s) suo moto all such trades including the trade / s done on behalf of the client shall ipso facto stand cancelled, stock broker shall be entitled to cancel the respective contract(s) with client(s)

17. The transactions executed on the Exchange are subject to Rules, Bye-laws and Regulations and circulars / notices issued thereunder of the Exchanges where the trade is executed and all parties to such trade shall have submitted to the jurisdiction of such court as may be specified by the Bye-laws and Regulations of the Exchanges where the trade is executed for the purpose of giving effect to the provisions of the Rules, Bye-laws and Regulations of the Exchanges and the circulars / notices issued thereunder

#### **BROKERAGE**

18. The Client shall pay to the stock broker brokerage and statutory levies as are prevailing from time to time and as they apply to the Clients account, transactions and to the services that stock broker renders to the Client. The stock broker shall not charge brokerage more than the maximum brokerage permissible as per the rules, regulations and Bye-laws of the relevant stock exchanges and / or rules and regulations of SEBI

#### **LIQUIDATION AND CLOSE OUT OF POSITION**

19. Without prejudice to the stock broker's other rights (including the right to refer a matter to arbitration), the client understands that the stock broker shall be entitled to liquidate / close out all or any of the client's positions for nonpayment of margins or other amounts, outstanding debts, etc. and adjust the proceeds of such liquidation / close out, if any, against the client's liabilities / obligations, Any and all losses and financial charges on account of such liquidation / closing-out shall be charged to and borne by the client
20. In the event of death or insolvency of the client or his / its otherwise becoming incapable of receiving and paying for or delivering or transferring securities which the client has ordered to be bought or sold, stock broker may close out the transaction of the client and claim losses, if any, against the estate of the client. The client or his nominees, successors, heirs and assignee shall be entitled to any surplus which may result there from. The client shall note that transfer of funds / securities in favour of a Nominee shall be valid discharge by the stock broker against the legal heir
21. The stock broker shall bring to the notice of the relevant Exchange the information about default in payment / Delivery and related aspects by a client. In case where defaulting client is a corporate entity / partnership / proprietary firm or any other artificial legal entity, then the name(s) of Director(s) / Promoter(s) / Partner(s) / Proprietor as the case may be, shall also be communicated by the stock broker to the relevant Exchange(s)

#### **DISPUTE RESOLUTION**

22. The stock broker shall provide the client with the relevant contact details of the concerned Exchanges and SEBI
23. The stock broker shall co-operate in redressing grievances of the client in respect of all transactions routed through it and in removing objections for bad delivery of shares, rectification of bad delivery, etc.
24. The client and the stock broker shall refer any claims and / or disputes with respect to deposits, margin money, etc., to arbitration as per the Rules, Bye-laws and Regulations of the Exchanges where the trade is executed, and circulars / notices issued (Hereunder as may be in force from time to time)
25. The stock broker shall ensure faster settlement of any arbitration proceedings arising out of the transactions entered into between him vis-a-vis the client and he shall be liable to implement the arbitration awards made in such proceedings
26. The client / stock broker understands that the instructions issued by an authorized representative for dispute resolution, if any, of the client / stock broker shall be binding on the client / stock broker in accordance with the letter authorizing the said representative to deal on behalf of the said client / stock- broker

#### **TERMINATION OF RELATIONSHIP**

27. This relationship between the stock broker and the client shall be terminated; if the stock broker for any reason ceases to be a member of the stock exchange including cessation of membership by reason of the stock broker's default, death, resignation or expulsion or if the certificate is cancelled by the Board
28. The stock broker, AP and the client shall be entitled to terminate the relationship between them without giving any reasons to the other party, after giving notice in writing of not less than one month to the other parties. Notwithstanding any such termination, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered into prior to the termination of this relationship shall continue to subsist and vest in / be binding on the respective parties or his / its respective heirs, executors, administrators, legal representatives or successors, as the case may be
29. In the event of demise / insolvency of the AP or the cancellation of his / its registration with the Board or / withdrawal of recognition of the AP by the stock exchange and / or termination of the agreement with the AP by the stock broker, for any reason whatsoever, the client shall be informed of such termination and the client shall be deemed to be the direct client of the stock broker and all clauses in the 'Rights and Obligations' document(s) governing the stock broker, AP and client shall continue to be in force as it is, unless the client intimates to the stock broker his / its intention to terminate their relationship by giving a notice in writing of not less than one month

### **ADDITIONAL RIGHTS AND OBLIGATIONS**

30. The stock broker shall ensure due protection to the client regarding client's rights to dividends, rights or bonus shares, etc. in respect of transactions routed through it and it shall not do anything which is likely to harm the interest of the client with whom and for whom they may have had transactions in securities
31. The stock broker and client shall reconcile and settle their accounts from time to time as per the Rules, Regulations, Bye Laws, Circulars, Notices and Guidelines issued by SEBI and the relevant Exchanges where the trade is executed
32. The stock broker shall issue a contract note to his constituents for trades executed in such format as may be prescribed by the Exchange from time to time containing records of all transactions including details of order number, trade number trade time, trade price, trade quantity, details of the derivatives contract, client code, brokerage, all charges levied etc. and with all other relevant details as required therein to be filled in and issued in such manner and within such time as prescribed by the Exchange. The stock broker shall send contract notes to the investors within one working day of the execution of the trades in hard copy and / or in electronic form using digital signature
33. The stock broker shall make pay out of funds or delivery of securities, as the case may be, to the Client within one working day of receipt of the payout from the relevant Exchange where the trade is executed unless otherwise specified by the client and subject to such terms and conditions as may be prescribed by the relevant Exchange from time to time where the trade is executed
34. The stock broker shall send a complete 'Statement of Accounts' for both funds and securities in respect of each of its clients in such periodicity and format within such time, as may be prescribed by the relevant Exchange, from time to time, where the trade is executed. The Statement shall also state that the client shall report errors, if any, in the Statement within such time as may be prescribed by the relevant Exchange from time to time where the trade was executed, from the receipt thereof to the Stock broker
35. The stock broker shall send daily margin statements to the clients. Daily Margin statement should include, inter-alia, details of collateral deposited, collateral utilized and collateral status (available balance / due from client) with break up in terms of cash, Fixed Deposit Receipts (FDRs), Bank Guarantee and securities
36. The Client shall ensure that it has the required legal capacity to, and is authorized to, enter into the relationship with stock broker and is capable of performing his obligations and undertakings hereunder. All actions required to be taken to ensure compliance of all the transactions, which the Client may enter into shall be completed by the Client prior to such transaction being entered into

### **ELECTRONIC CONTRACT NOTES (ECN)**

37. In case, client opts to receive the contract note in electronic form, he shall provide an appropriate e-mail id to the stock broker. The client shall communicate to the stock broker any change in the email-id through a physical letter. If the client has opted for internet trading, the request for change of email id may be made through the secured access by way of client specific user id and password
38. The stock broker shall ensure that all ECNs sent through the e-mail shall be digitally signed, encrypted, non-tamper able and in compliance with the provisions of the IT Act, 2000. In case, ECN is sent through e-mail as an attachment, the attached file shall also be secured with the digital signature, encrypted and non-tamper able
39. The client shall note that non-receipt of bounce mail notification by the stock broker shall amount to delivery of the contract note at the e-mail ID of the client
40. The stock broker shall retain ECN and acknowledgement of the e-mail in a soft and non-tamperable form in the manner prescribed by the exchange in compliance with the provisions of the IT Act, 2000 and as per the extant rules / regulations / circulars / guidelines issued by SEBI / Stock Exchanges from time to time. The proof of delivery i.e., log report generated by the system at the time of sending the contract notes shall be maintained by the stock broker for the specified period under the extant regulations SEBI / stock exchanges. The log report shall provide the details of the contract notes that are not delivered to the client / e-mails rejected or bounced back. The stock broker shall take all possible steps to ensure receipt of notification of bounced mails by him at all times within the stipulated time period under the extant regulations of SEBI / stock exchanges
41. The stock broker shall continue to send contract notes in the physical mode to such clients who do not opt to receive the contract notes in the electronic form. Wherever the ECNs have not been delivered to the client or has been rejected (bouncing of mails) by the e-mail ID of the-client, the stock broker shall send a physical contract note to the client within the stipulated time under the extant regulations of SEBI / stock exchanges and maintain the proof of delivery of such physical contract notes
42. In addition to the e-mail communication of the ECNs to the client, the stock broker shall simultaneously publish the ECN on his designated web-site, if any, in a secured way and enable relevant access to the clients and for this purpose, shall allot a unique user name and password to the client, with an option to the client to save the contract note electronically and / or take a print out of the same

### **LAW AND JURISDICTION**

43. In addition to the specific rights set out in this document, the stock broker, AP and the client shall be entitled to exercise any other rights which the stock broker or the client may have under the Rules, Bye-laws and Regulations of the Exchanges in which the client chooses to trade and circulars / notices issued thereunder or Rules and Regulations of SEBI
44. The provisions of this document shall always be subject to Government notifications, any rules, regulations, guidelines and circulars / notices issued by SEBI and Rules, Regulations and Bye laws of the relevant stock exchanges, where the trade is executed, that may be in force from time to time
45. The stock broker and the client shall abide by any award passed by the Arbitrator(s) under the Arbitration and Conciliation Act, 1996. However, there is also a provision of appeal within the stock exchanges if either party is not satisfied with the arbitration award
46. Words and expressions which are used in this document, but which are not defined herein shall, unless the context otherwise requires, have the same meaning as assigned thereto in the Rules, Bye-laws and Regulations and circulars / notices issued thereunder of the Exchanges / SEBI
47. All additional voluntary clauses / document added by the stock broker should not be in contravention with rules / regulations / notices / circulars of Exchanges / SEBI. Any changes in such voluntary clauses / document(s) need to be preceded by a notice of 15 days. Any changes in the rights and obligations which are specified by Exchanges / SEBI shall also be brought to the notice of the client
48. If the rights and obligations of the parties hereto are altered by virtue of change in Rules and regulations of SEBI or Bye-laws, Rules and Regulations of the relevant stock Exchanges where the trade is executed, such changes shall be deemed to have been incorporated herein in modification of the rights and obligations of the parties mentioned in this document

**INTERNET AND WIRELESS TECHNOLOGY BASED TRADING FACILITY PROVIDED BY STOCK BROKERS / MEMBERS TO CLIENT (All the clauses mentioned in the 'Rights and Obligations' document(s) shall be applicable. Additionally, the clauses mentioned herein shall also be applicable.)**

1. Stock broker / Member is eligible or providing Internet based trading (IBT) and securities / Commodities trading through the use of wireless technology that shall include the use of devices such as mobile phone, laptop with data card, etc. which use Internet Protocol (IP). The stock broker / Member shall comply with all requirements applicable to internet-based trading / securities / Commodities trading using wireless technology as may be specified by SEBI and the Exchanges from time to time
2. The client is desirous of investing / trading in securities / Commodities and for this purpose, the client is desirous of using either the internet-based trading facility or the facility for securities / Commodities trading through use of wireless technology. The Stock broker / Member shall provide the Stock broker's / Members IBT Service to the Client, and the Client shall avail of the Stock broker's / Members IBT Service, on and subject to SEBI / Exchanges Provisions and the terms and conditions specified on the Stock broker's / Members IBT Web Site provided that they are in line with the norms prescribed by Exchanges / SEBI
3. The stock broker / Member shall bring to the notice of client the features, risks, responsibilities, obligations and liabilities associated with securities / Commodities trading through wireless technology / internet / smart order routing or any other technology should be brought to the notice of the client by the stock broker / Member
4. The stock broker / Member shall make the client aware that the Stock brokers / Member IBT system itself generates the initial password and its password policy as stipulated in line with norms prescribed by Exchanges / SEBI
5. The Client shall be responsible for keeping the Username and Password confidential and secure and shall be solely responsible for all orders entered and transactions done by the person whosoever through the Stock brokers / Members IBT System using the Client's Username and / or Password whether or not such person was authorized to do so Also the client is aware that authentication technologies and strict security measures are required for the internet trading / securities / Commodities trading through wireless technology through order routed system and undertakes to ensure that the password of the client and / or his authorized representative are not revealed to any third party including employees and dealers of the stock broker / Member
6. The Client shall immediately notify the Stock broker / Member in writing if he forgets his password, discovers security flaw in Stock broker's IB System, discovers / suspects discrepancies / unauthorized access through his username / password / account with full, details of such unauthorized use, the date, the manner, and the transactions effected pursuant to such unauthorized use, etc.
7. The Client is fully aware of and understands the risks associated with availing of a service for routing orders over the internet / securities / Commodities trading through wireless technology and Client shall be fully liable and responsible for any and all acts done in the Client's Username / password in any manner whatsoever
8. The stock broker / Member shall send the order / trade confirmation through email to the client at his request. The client is aware that the order / trade confirmation is also provided on the web portal. In case client is trading using wireless technology, the stock broker / Member shall send the order / trade confirmation on the device of the client
9. The client is aware that trading over the internet involves many uncertain factors and complex hardware, software, systems, communication lines, peripherals, etc. are susceptible to interruptions and dislocations. The Stock broker / Member and the Exchange do not make any representation or warranty that the Stock broker's / Member's IBT Service will be available to the

Client at all times without any interruption

10. The Client shall not have any claim against the Exchange or the Stock broker / Member on account of any suspension, interruption, non-availability or malfunctioning of the Stock broker's / Member's IBT System or Service or the Exchange's service or systems or non-execution of his orders due to any link / system failure at the Client / Stock brokers / Members / Exchange end for any reason beyond the control of the stock broker / Members / Exchanges

**RISK DISCLOSURE DOCUMENT FOR CAPITAL MARKET / CDS AND DERIVATIVES SEGMENTS**

This document contains important information on trading in Equities / Derivatives Segments of the stock exchanges. All prospective constituents should read this document before trading in Equities / Derivatives Segments of the Exchanges.

Stock exchanges / SEBI does neither singly or jointly and expressly nor impliedly guarantee nor make any representation concerning the completeness, the adequacy or accuracy of this disclosure document nor have Stock exchanges / SEBI endorsed or passed any merits of participating in the trading segments. This brief statement does not disclose all the risks and other significant aspects of trading.

In the light of the risks involved you should undertake transactions only if you understand the nature of the relationship into which you are entering and the extent of your exposure to risk.

You must know and appreciate that trading in Equity shares, derivatives contracts or other instruments traded on the Stock Exchange, which have varying element of risk, is generally not an appropriate avenue for someone of limited resources / limited investment and / or trading experience and low risk tolerance. You should therefore carefully consider whether such trading is suitable for you in the light of your financial condition. In case you trade on Stock exchanges and suffer adverse consequences or loss, you shall be solely responsible for the same and Stock exchanges / its Clearing Corporation and / or SEBI shall not be responsible, in any manner whatsoever, for the same and it will not be open for you to take a plea that no adequate disclosure regarding the risks involved was made or that you were not explained the full risk involved by the concerned stock broker. The constituent shall be solely responsible for the consequences and no contract can be rescinded on that account. You must acknowledge and accept that there can be no guarantee of profits or no exception from losses while executing orders for purchase and / or sale of a derivative contract being traded on Stock exchanges.

It must be clearly understood by you that your dealings on Stock exchanges through a stock broker shall be subject to your fulfilling certain formalities set out by the stock broker, which may inter alia include your filling the know your client form, reading the rights and obligations do's and don'ts, etc., and are subject to the Rules, Bye-laws and Regulations of relevant Stock exchanges, its Clearing Corporation, guidelines prescribed by SEBI and in force from time to time and Circulars as may be issued by Stock exchanges or its Clearing Corporation and in force from time to time.

Stock exchanges does not provide or purport to provide any advice and shall not be liable to any person who enters into any business relationship with any stock broker of Stock exchanges and / or any third party based on any information contained in this document. Any information contained in this document must not be construed as business advice. No consideration to trade should be made without thoroughly understanding and reviewing the risks involved in such trading. If you are unsure, you must seek professional advice on the same.

In considering whether to trade or authorize someone to trade for you, you should be aware of or must get acquainted with the following: -

**1) BASIC RISKS:****1.1 Risk of Higher Volatility:**

Volatility refers to the dynamic changes in price that a security / derivatives contract undergoes when trading activity continues / on the Stock Exchanges. Generally, higher the volatility of a security / derivatives contract, greater is its price swings. There may be normally greater volatility in thinly traded securities / derivatives contracts than in active securities / derivatives contracts. As a result of volatility your order may only be partially executed or not executed at all, or the price at which your order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in notional or real losses.

**1.2 Risk of Lower Liquidity:**

Liquidity refers to the ability of market participants to buy and / or sell securities / derivatives contracts expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the numbers of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and / or sell securities / derivatives contracts swiftly and with minimal price difference, and as a result, investors are more likely to pay or receive a competitive price for securities / derivatives contracts purchased or sold. There may be a risk of lower liquidity in some securities / derivatives contracts as compared to active securities / derivatives contracts. As a result, your order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all.

- Buying or selling securities / derivatives contracts as part of a day trading strategy may also result into losses, because in such a situation, securities / derivatives contracts may have to be sold / purchased at low / high prices, compared to the expected price levels, so as not to have any open position or obligation to deliver or receive a security / derivatives contract.

**1.3 Risk of Wider Spreads:**

Spread refers to the difference in best buy price and best sell price. It represents the differential between the price of buying a security / derivatives contract and immediately selling it or vice versa. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid securities / derivatives contracts. This in turn will hamper better price formation.

#### 1.4 Risk-reducing orders:

The placing of orders (e.g., "stop loss" orders or "limit" orders) which are intended to limit losses to certain amounts may not be effective many a time because rapid movement in market conditions may make it impossible to execute such orders.

- A. A "market" order will be executed promptly, subject to availability of orders on opposite side, without regard to price and that, while the customer may receive a prompt execution of a "market" order, the execution may be at available prices of outstanding orders, which satisfy the order quantity, on price time priority. It may be understood that these prices may be significantly different from the last traded price or the best price in that security / derivatives contract
- B. A "limit" order will be executed only at the "limit" price specified for the order or a better price. However, while the customer receives price protection, there is a possibility that the order may not be executed at all
- C. A stop loss order is generally placed "away" from the current price of a stock / derivatives contract, and such order gets activated if and when the security / derivatives contract reaches, or trades through, the stop price

Sell stop orders are entered ordinarily below the current price, and buy stop orders are entered ordinarily above the current price. When the security / derivatives contract reaches the pre-determined price, or trades through such price, the stop loss order converts to a market / limit order and is executed at the limit or better. There is no assurance therefore that the limit order will be executable since a security / derivatives contract might penetrate the pre-determined price, in which case, the risk of such order not getting executed arises just as with a regular limit order.

#### 1.5 Risk of News Announcements:

News announcements that may impact the price of stock / derivatives contract may occur during trading, and when combined "with lower liquidity and higher volatility, may suddenly cause an unexpected positive or negative movement in the price of the security / contract.

#### 1.6 Risk of Rumors:

Rumors about companies / currencies at times float in the market through word of mouth, newspapers, websites or news agencies, etc. The investors should be wary of and should desist from acting on rumors.

#### 1.7 System Risk:

High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation.

- A. During periods of volatility on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in order execution and its confirmations.
- B. Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or-at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a security / derivatives contract due to any action on account of unusual trading activity or security / derivatives contract hitting circuit filters or for any other reason.

#### 1.8 System / Network Congestion:

Trading on exchanges is in electronic mode, based on satellite / leased line based communications, combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem / glitch whereby not being able to establish access to the trading system / network, which may be beyond control and may result in delay in processing or not processing buy or sell orders either in part or in full. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions.

### 2) As far as Derivatives segments are concerned, please note, and get yourself acquainted with the following additional features: -

#### a) Effect of "Leverage" or "Gearing":

In the derivatives market, the amount of margin is small relative to the value of the derivatives contract, so the transactions are 'leveraged' or 'geared'. Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the margin amount. But transactions in derivatives carry a high degree of risk.

You should therefore completely understand the following statements before actually trading in derivatives and also trade with caution while taking into account one's circumstances, financial resources, etc. If the prices move against you, you may lose a part of or whole margin amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount.

- A. Futures trading involve daily settlement of all positions. Every day the open positions are marked to market based on the 'closing level of the index / derivatives contract. If the contract has moved against you, you will be required to deposit the amount of loss (notional) resulting from such movement. This amount will have to be paid within a stipulated time frame, generally before commencement of trading on next day
- B. If you fail to deposit the additional amount by the deadline or if an outstanding debt occurs in your account, the stock broker may liquidate a part of or the whole position or substitute securities. In this case, you will be liable for any losses incurred due to such close-outs
- C. Under certain market conditions, an investor may find it difficult or impossible to execute transactions. For example, this situation can occur due to factors such as illiquidity i.e. when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc.
- D. In order to maintain market stability, the following steps may be adopted: changes in the margin rate, increases in the cash margin rate or others. These new measures may also be applied to the existing open interests. In such conditions, you will be required to put up additional margins or reduce your positions
- E. You must ask your broker to provide the full details of derivatives contracts you plan to trade i.e. the contract specifications and the associated obligations

**b) Currency specific risks:**

- a. The profit or loss in transactions in foreign currency-denominated contracts, whether they are traded in your own or another jurisdiction, will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency
- b. Under certain market conditions you may find it difficult or impossible to liquidate a position. This can occur, for example when a currency is deregulated or fix trading band are widened
- c. Currency prices are highly volatile Price movements for currencies are influenced by, among other things: changing supply-demand relationships; trade, fiscal, monetary, exchange control programs and policies of governments; foreign political and economic events and policies; changes in national and international interest rates and inflation; currency / devaluation; and sentiment of the marketplace. None of these factors can be controlled by any individual advisor and no assurance can be given that an advisor's advice will result in profitable trades for a participating customer or that a customer will not incur losses from such events.

**c) Risk of Option holders:**

- a. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither / sells his option in the secondary market nor exercises it prior to its expiration will necessarily lose his entire investment in the option. If the price of the underlying does not change in the anticipated direction before the option expires, to an extent sufficient to cover the cost of the option, the investor may lose all or a significant part of his investment in the option
- b. The Exchanges may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain 'times in specified circumstances.

**d) Risks of Option Writers:**

- a. If the price movement of the underlying is not in the anticipated direction, the option writer runs the risks of losing substantial amount
- b. The risk of being an option writer may be reduced by the purchase of other options on the same underlying interest and thereby assuming a spread position or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short 'position
- c. Transactions that involve buying and writing multiple options in combination or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single option. And it should be further noted that, as in any area of investing, a complexity not well understood is, in itself, a risk factor. While this is not to suggest that combination strategies should not be considered, it is advisable, as is the case with all investments in options, to consult with someone who is experienced and knowledgeable with respect to the risks and potential rewards of combination transactions under various market circumstances

**3) TRADING THROUGH WIRELESS TECHNOLOGY / SMART ORDER ROUTING OR ANY OTHER TECHNOLOGY:**

Any additional provisions defining the features, risks, responsibilities, obligations and liabilities associated with securities trading through wireless technology / smart order routing or any other technology should be brought to the notice of the client by the stock broker.

**4) GENERAL**

- The term 'constituent' shall mean and include a client, a customer or an investor, who deals with a stock broker for the purpose of acquiring and / or selling of securities / derivatives contracts through the mechanism provided by the Exchanges.
- The term stock broker shall mean and include a stock broker, a broker or a stock broker, who has been admitted as such by the Exchanges and who holds a registration certificate from SEBI.

**GUIDANCE NOTE - DO's AND DON'Ts FOR TRADING ON THE EXCHANGE(S) FOR INVESTORS****BEFORE YOU BEGIN TO TRADE**

1. Ensure that you deal with and through only SEBI registered intermediaries. You may check their SEBI registration certificate number from the list available on the Stock exchanges BSE: [www.bseindia.com](http://www.bseindia.com), NSE: [www.nseindia.com](http://www.nseindia.com), MCX: [www.msei.in](http://www.msei.in) and SEBI website [www.sebi.gov.in](http://www.sebi.gov.in).
2. Ensure that you fill the KYC form completely and strike off the blank fields in the KYC form
3. Ensure that you have read all the mandatory documents viz. Rights and Obligations, Risk Disclosure Document, Policy, and Procedure document of the stock broker
4. Ensure to read, understand, and then sign the voluntary clauses, if any, agreed between you and the stock broker. Note that the clauses as agreed between you and the stock broker cannot be changed without your consent
5. Get a clear idea about all brokerage, commissions, fees and other charges levied by the broker on you for trading and the relevant provisions / guidelines specified by SEBI / Stock exchanges
6. Obtain a copy of all the documents executed by you from the stock broker free of charge
7. In case you wish to execute Power of Attorney (POA) in favour of the Stock broker, authorizing it to operate your bank and demat account, please refer to the guidelines issued by SEBI / Exchanges in this regard

**TRANSACTIONS AND SETTLEMENTS**

8. The stock broker may issue electronic contract notes (ECN) if specifically authorized by you in writing. You should provide your email id to the stock broker for the same. Don't opt for ECN if you are not familiar with computers
9. Don't share your internet trading account's password with anyone
10. Don't make any payment in cash to the stock broker
11. Make the payments by account payee cheque in favour of the stock broker. Don't issue cheques in the name of AP. Ensure that you have a documentary proof of your payment to stock broker
12. Note that facility of Trade Verification is available on stock exchanges' websites, where details of trade as mentioned in the contract note may be verified. Where trade details on the website do not tally with the details mentioned in the contract note, immediately get in touch with the Investors Grievance Cell of the relevant Stock exchange
13. In case you have given specific authorization for maintaining running account, payout of funds or delivery of securities (as the case may be), may not be made to you within one working day from the receipt of payout from the Exchange. Thus, the stock broker shall maintain running account for you subject to the following conditions:
  - a. Such authorization from you shall be dated, signed by you only and contains the clause that you may revoke the same at any time
  - b. The actual settlement of funds and securities shall be done by the stock broker, at least once in a calendar quarter or month, depending on your preference. While settling the account, the stock broker shall send to you a 'statement of accounts' containing an extract from the client ledger for funds and an extract from the register of securities displaying all the receipts / deliveries of funds and securities. The statement shall also explain the retention of funds and securities and the details of the pledged shares, if any
  - c. On the date of settlement, the stock broker may retain the requisite securities / funds towards outstanding obligations and may also retain the funds expected to be required to meet derivatives margin obligations for next 5 trading days, calculated in the manner specified by the exchanges. In respect of cash market transactions, the stock broker may retain entire pay-in obligation of funds and securities due from clients as on date of settlement and for next day's business, he may retain funds / securities / margin to the extent of value of transactions executed on the day of such settlement in the cash market
  - d. You need to bring any dispute arising from the statement of account or settlement so made to the notice of the stock broker in writing preferably within 7 (seven) working days from the date of receipt of funds / securities or statement, as the case may be. In case of dispute, refer the matter in writing to the Investors Grievance Cell of the relevant Stock exchanges without delay
14. In case you have not opted for maintaining running account and pay-out of funds / securities is not received on the next working day of the receipt of payout from the exchanges, please refer the matter to the stock broker. In case there is dispute, ensure that you lodge a complaint in writing immediately with the Investors Grievance Cell of the relevant Stock exchange
15. Please register your mobile number and email id with the stock broker, to receive trade confirmation alerts / details of the transactions through SMS or email, by the end of the trading day, from the stock exchanges

### **IN CASE OF TERMINATION OF TRADING MEMBERSHIP**

16. In case, a stock broker surrenders his membership, is expelled from membership, or declared a defaulter; Stock exchanges give a public notice inviting claims relating to only the "transactions executed on the trading system" of Stock exchange, from the investors. Ensure that you lodge a claim with the relevant Stock exchanges within the stipulated period and with the supporting documents
17. Familiarize yourself with the protection accorded to the money and / or securities you may deposit with your stock broker, particularly in the event of a default or the stock broker's insolvency or bankruptcy and the extent to which you may recover such money and / or securities may be governed by the Bye-laws and Regulations of the relevant Stock exchange where the trade was executed and the scheme of the Investors' Protection Fund in force from time to time

### **DISPUTES / COMPLAINTS**

18. Please note that the details of the arbitration proceedings, penal action against the brokers and investor complaints against the stock brokers are displayed on the website of the relevant Stock exchange
19. In case your issue / problem / grievance is not being sorted out by concerned stock broker / AP then you may take up the matter with the concerned Stock exchange. If you are not satisfied with the resolution of your complaint, then you can escalate the matter to SEBI
20. Note that all the stock broker / AP have been mandated by SEBI to designate an e-mail ID of the grievance redressal division / compliance officer exclusively for the purpose of registering complaints

The policies and procedures of Definedge Securities Broking Private Limited (DSBPL) for cash, Derivatives, Currency Derivatives and Commodity Derivatives segment as per SEBI Circular no. MIRSD / SE / Cir 19 / 2009 dated 03 / 12 / 2009, which are presently in force in relation to:

- a. Refusal of orders for penny stocks
- b. Setting up client's exposure limits
- c. Applicable Brokerage Rate
- d. Imposition of penalty / delayed payment charges by either party, specifying the rate and the period (This must not result in funding by the broker in contravention of the applicable laws)
- e. The right to sell clients securities or close client's positions, without giving notice to the client, on account of non-payment of client's dues (Limited to the extent of settlement / margin obligation) Shortages in obligations arising out of internal netting of trades
- f. Conditions under which a client may not be allowed to take further position, or the broker may close the existing position of a client
- g. Temporarily suspending or closing a client's account at the client's request
- h. De-registering a client
- i. Procedure for activation of inoperative / dormant accounts

#### **A. REFUSAL OF ORDERS FOR PENNY STOCKS:**

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

Definedge Securities Broking Private Limited (DSBPL) 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 DSBPL are extremely volatile or subject to Market manipulation.

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

DSBPL may take appropriate declarations from the clients before accepting such orders.

DSBPL shall have the prerogative to place such restrictions, notwithstanding the fact that the client has adequate credit balance or margin available in his account and / or the client had previously purchased or sold such securities / contracts through DSBPL itself.

#### **B. SETTING UP CLIENT'S MARGIN LIMITS:**

**Margin Limit in Cash segment:** DSBPL provides Margin based limit following the VAR and Extreme loss margin applies to scrip as defined by the Risk Management team time to time at its discretion. Hence, exposure for intra-day and delivery transactions can be multiple (varying from scrip to scrip based on VAR (Margin rates) applies to scrip) of the ledger balance, value of collateral benefit after applying haircut on holding lying in the client account and credit for sales.

The value of the "multiple" and the "haircut" shall be decided by DSBPL based on market volatility and quality of collaterals.

**Margin Limit for F&O, Currency and Commodity segment:** DSBPL provides margin limit in F&O, Currency and Commodity Segment segments based on availability of initial and exposure margin upfront available into the client account in the form Ledger, cash collateral and non-cash collateral (i.e., approved scrips after appropriate haircut and lying in the collateral account)

**Client-wise differential limits:** DSBPL shall have the prerogative to allow differential limits in Cash, F&O, Currency, and Commodity segments varying from client to client, depending upon credit worthiness and past conduct of each client or any other criteria which DSBPL may find suitable.

#### **DSBPL Discretions on limits:**

- a. DSBPL has discretion to change the limits on the basis of risk perception and other factors considered relevant (such as broker level / exchange level limits in specific securities or Income declaration or volume specific exposures based on surveillance measures)

- b. DSBPL shall not be able to inform the client of such variation, reduction, or imposition in advance
- c. DSBPL shall not be responsible for client's inability to execute any order on account of any such variation, reduction, or imposition of limits

**C. APPLICABLE BROKERAGE RATES:**

Brokerage will be applied as per the rates agreed upon with the client at the time of signing of KYC at the time of registration of the client or subsequently through a written communication between the client and DSBPL. The rate of brokerage shall not exceed the maximum brokerage permissible under SEBI / Exchange Bye-laws.

DSBPL may charge a brokerage as agreed upon i.e., depending on the turnover of the client informed to the client on specific transactions for specific period, which will be reflected into contract notes sent to the client.

The brokerage shall however be exclusive of the following:

- DP Annual maintenance charges
- DP transaction charges / Pledge / Re-pledge / Demat charges
- Account opening charges
- Delayed payment charges
- Penalties levied by Exchange, due to fault of client
- Research advisory charges only if the client specifically give consents
- Bank charges toward received unpaid at actual
- Charges towards value added services

\* Statutory charges payable to Exchange / SEBI / Govt. Authorities etc.

**D. Imposition of penalty / delayed payment charges by either party, specifying the rate and the period (This must not result in funding by the broker in contravention of the applicable laws) Delayed payment charges / charges on Exposure against collaterals:**

Pursuant to Exchange Bye-laws, the DSBPL is currently required to make pay-in of funds to the Exchange by T+1 / T+2 (morning) and arrange delivery of securities to the Exchange latest by T+1 / T+2 (morning) as the case maybe. Further, DSBPL is also required to maintain adequate upfront margins with the Exchange to avail exposure for trading. The Exchanges have also defined the ratios in which the cash and collaterals are to be deposited and maintained by the DSBPL. In addition, the Exchange requires the member broker to pay some of the margins like Mark to Market losses.

In order to manage its working capital, DSBPL requires fullest co-operation of the clients in meeting their respective obligation towards pay-in and margins.

DSBPL, is therefore authorized by client to charge a delayed payment charges 18%, as per company policy, on account of delays / failure by the client in meeting the pay-in obligations on the scheduled date and also where the clients take exposure in F&O, Currency and Commodity segments by depositing collaterals in a ratio which is disproportionate to the Cash versus collaterals ratios prescribed by the Exchanges.

**Penalties levied by Exchange:**

Further, Exchanges levy various penalties on DSBPL on auction resulting from short deliveries, non- adherence to client-wise exposure limits, client-wise shortfall in F&O, Currency, and Commodity segments margin and for other reasons, which may be defined by the Exchange from time to time.

DSBPL, is therefore authorized to pass on any penalty imposed by the Exchange / SEBI and or any other regulatory authority to the client, which arises on account of the client.

**Interest Free Deposits:**

DSBPL provides exposure against the upfront margin received in the form of cash / collateral from the client and the client also has the prerogative to demand withdrawal of cash and collaterals at his discretion, DSBPL shall not pay any interest or other benefit to the client for maintaining cash balances or depositing collateral margins with DSBPL.

**E. The right to sell clients securities or close client's positions, without giving notice to the client, on account of non-payment of client's dues (This shall be limited to the extent of settlement / margin obligation)**

DSBPL shall have the right to sell client's securities, both unpaid securities as well as collaterals deposited towards margins, or close out client's open positions, without giving notice to the client where there is a delay / failure of the client to the pay-in obligations and / or there is a failure of the client to bring additional margins to cover the increase in risk in the dynamic market conditions.

**1) Unpaid Securities in Capital Market:**

- In case of unpaid obligation on T+5, DSBPL may sell the unpaid / partially paid securities in addition DSBPL may sell the collaterals deposited by the client towards margins and / or paid securities purchased by the client in earlier settlements where the sale proceeds of unpaid securities are inadequate to cover the pay-in obligations and / where the unpaid securities appear to be comparatively illiquid and cannot be sold at reasonable rates to the extent required
- DSBPL may follow the Company Policy for liquidation of securities, but it may not be binding on it to follow this method in all cases

**2) The margin shortfall in F&O, Currency, and Commodity Segments:**

- Positions of the client may be closed out to the extent of margin shortfall on the T+1 basis / Real time monitoring basis
- While computing margin shortfall, value of unapproved securities shall not be considered
- As per the Exchange requirements, DSBPL is required to maintain a prescribed ratio between cash and collaterals margin deposited with the Exchange. DSBPL shall therefore have the prerogative to insist for at least such prescribed ratio percentage 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 close the F&O, Currency and Commodity Segment position where it finds deviation

**3) Intra-day positions:**

- DSBPL shall have right to close out any intra-day positions taken by the client after a defined 'Cut-off' time (presently 15 minutes before close of market)

**4) General:**

- DSBPL may take into account the sales made, positions closed by the client or collections received from the client till cut-off time (as per company policy) while selling the securities / closing the client's positions against debit / margin shortfall
- While selling the securities / closing the client positions, DSBPL may not take into consideration Cheques showing uncleared although deposited by the client with DSBPL until clear proceeds of such instruments are received by DSBPL in its bank account. For this purposes Demand Draft / Pay order will not be taken into consideration
- DSBPL shall have the right to sell clients securities or close out client's position, but it shall not be under any obligations to undertake this exercise compulsorily
- DSBPL shall have the right to sell clients securities in case of Ageing of debit and margin shortfall in the client account
- DSBPL shall not be responsible for any losses and penalties / charges levied by exchanges(s) caused on such square-off
- DSBPL shall therefore not be under any obligation to compensate / or provide reasons of any delay or omission on its part to sell clients securities or close open positions of the client

**5) Shortages in obligations arising out of internal netting of trades Internal Shortage Policy – Close out in case of internal shortage**

Client's list eligible for closeout is sent on T+1-day evening.

2% above (the Highest closing price in T+1 (i.e., till auction day) or purchase rate on Trading Day whichever is higher).

E.g., suppose client has purchased 100 shares of stock A on trading day @850, following are respective closing price: -

Trading Day i.e.

T = 840

T+1 = 830

So, as per our formula, highest price will be 850 and the credit of 2% above 850 will be given to the buyer and same will be debited to the seller; brokerage and charges will be extra.

6) **Conditions under which a client may not be allowed to take further position, or the broker may close the existing position of a client:**

**A. ALL MARKETS:**

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

**B. CAPITAL MARKETS:**

- The client has not been able to meet his pay-in obligations in cash by the schedule date of pay-in irrespective of the value of collaterals available with DSBPL
- Clear proceeds of the cheque deposited by the client to meet the pay-in obligations have not yet been received by DSBPL
- Client is trading "illiquid" scrips and volumes in his account exceed internal cut-off limit fixed by DSBPL
- DSBPL exposure at "house level" in a specific scrip / contract exceeds the internal limits fixed by DSBPL

**C. F&O, CURRENCY, AND COMMODITY SEGMENT:**

- The client has not made payment for Market-to-Market loss in Ledger
- The "open" positions in a contract exceeded or are close to market wide cut-off limits or client wise permissible positions by exchange

**D. INTRA-DAY:**

- Clients will not be able to place intra-day orders after a cut-off time fixed by DSBPL. (15 minutes prior to close of market)

**E. EVENT BASED:**

- Where based on a corporate / market event, DSBPL has the risk perception that further trading in the securities / contracts may not be allowed to its clients and / or the market

7) **Temporarily suspending or closing a client's account at the clients' request:**

DSBPL 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
- Based on the recommendations made by our compliance department due to excessive speculations, un-cleared balances
- Physical contract notes are received back undelivered due to reasons like "no such person", "addressee" left, refusal to accept mails, signature mismatch on POD's or other reasons which may create suspicion
- ECN failed (bounced E-mail) on more than 3 instances until client submits and registers new E-mail id
- Non-delivery of the Statement of Account sent on periodic basis
- Non-updating of communication details viz., E-mail id, Mobile no., landline details or it is found to be belonging to a third person
- Client lodges a complaint either directly with DSBPL or through Exchange alleging 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.
- Client is reported to or known to have expired
- DSBPL may also suspend the account based on the written request received from the client

8) **De-registering a client:**

- DSBPL may de-register the client account based on action taken by SEBI / NSE / BSE or being part of list of debarred entities published by SEBI
- DSBPL may also initiate action for deregistering a client on basis of information found in sites of CIBIL, watch out investors, world check or client having suspicious background, link with suspicious organization, etc.
- DSBPL shall have right to close out the existing positions; sell the collaterals to recover its dues, if any, before de-registering the client
- DSBPL may freeze the assets of the client where it deems prudent, at time of de-registering a client

9) **Procedure for reactivation of inoperative / dormant accounts**

- To reactivate inoperative / dormant accounts, clients require to fill up a dormant activation form and provide the other related documents and details as per company policy

I / We also understand and agree that these policies and procedures can be changed by DSBPL from time to time subject to posting of the amendments and modification therein on its website: [www.definedgesecurities.com](http://www.definedgesecurities.com) and their applicability with prospective effect.

**INFORMATION ON PREVENTION OF MONEY LAUNDERING ACT 2002 (PMLA)**

- ✓ Due to the tightened security and increased vigilance in the wake of threats emanating from increasing terrorism, any failure on our part to discharge our duties cast on us under the applicable laws or we are becoming an instrumental or a part of the chain in certain transaction, even if unknowingly or ignorantly, may land us in trouble
- ✓ There is an Act called **Prevention of Money Laundering Act 2002. (PMLA)**
- ✓ The purpose of this act is to prevent the financing of terrorism and to prevent laundering of money i.e., to legalize or officialize or canalize the money generated from illegal activities like drug trafficking, organized crimes, hawala rackets and other serious crimes
- ✓ This act is a part of the Global measures being taken by all the countries under the initiatives of an agencies
- ✓ It is applicable to all SEBI Registered brokers / AP and other financial institution who are dealing in any kind of financial assets
- ✓ It is an obligation of the entities to whom this Act is applicable, to report certain kind of transactions routed through them to FINANCIAL INTELLIGENCE UNIT, a department specially set up to administer this Act under the Ministry of Finance
- ✓ The transactions which are supposed to be reported are cash transactions above rupees ten lakhs or series of cash transactions below ten lakhs but aggregating to above ten lakhs in a month or its equivalent in any foreign currency and the transactions which may not be in cash but suspicious in nature
- ✓ Any such above types of transaction though not executed but attempted and failed are also required to be reported
- ✓ The suspicious transaction can be related to the transaction under the circumstances such as
  - Clients whose identity verification seems difficult or clients that appear not to cooperate
  - Asset management services for clients where the source of the funds is not clear or not in keeping with client's apparent standing / business activity
  - Clients based in high-risk jurisdictions
  - Substantial increases in business without apparent cause
  - Clients transferring large sums of money to or from overseas locations with instructions for payment in cash
  - Attempted transfer of investment proceeds to apparently unrelated third parties
  - Businesses undertaken by offshore banks / financial services
  - Businesses reported to be in the nature of export / import of small items
  - Unusual transactions by Clients of Special Categories (CSCs)
- ✓ Clients of Special Categories may include
  - NRI / HNI / Trust / Charities / NGO / Organizations receiving donations
  - Companies having close family shareholdings or beneficial ownership
  - Politically Exposed Persons
  - Companies offering foreign exchange offerings
  - Clients in high-risk countries
  - Non face to face clients
  - Clients with dubious reputation as per public information available

**DEFINEDGE SECURITIES BROKING PRIVATE LIMITED – AUCTION POLICY**

<b>Nature of Shortage</b>	<b>Policy</b>
<b>Market Shortage</b>	As per exchange auction price / exchange close out price.
<b>Internal Shortage</b>	2% above (the highest closing price in trading day+1 (i.e., till auction day) or purchase rate on trading day whichever is higher). if scrip continues in circuit, exchange close out rate will be considered and if exchange close out rate is also not available then, buyer will be credited with 20% on highest closing price of T, T+1 and same will be debited to the seller.

E.g., suppose client has purchased 100 shares of stock A on trading day @850, following are respective closing price: -  
Trading Day i.e.

T = 840  
T+1 = 830

So, as per our formula, highest price will be 850 and the credit of 2% above 850 will be given to the buyer and same will be debited to the seller; brokerage and charges will be extra.

**Note : -**

- In case of buy at broker level, seller will be debited for brokerage and all other statutory charges as per norms
- The broker has reserved all the rights to change in above policy at any time

1. **Basic Risks involved in the trading of Commodity Futures Contracts and other Commodity Derivatives Instruments on the Exchange**
  1. **Risk of Higher Volatility**

Volatility refers to the dynamic changes in price that commodity derivative contracts undergo when trading activity continues on the Commodity Exchange. Generally, higher the volatility of a commodity derivatives contract, greater is its price swings. There may be normally greater volatility in thinly traded commodity derivatives contracts than in actively traded commodities / contracts. As a result of volatility, your order may only be partially executed or not executed at all, or the price at which your order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in real losses
  2. **Risk of Lower Liquidity**
    - a. Liquidity refers to the ability of market participants to buy and / or sell commodity derivative contract expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the number of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and / or sell commodity derivatives contracts swiftly and with minimal price difference and as a result, investors are more likely to pay or receive a competitive price for commodity derivative contracts purchased or sold. There may be a risk of lower liquidity in some commodity derivative contracts as compared to active commodity derivative contracts. As a result, your order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all
    - b. Buying / Selling without intention of giving and / or taking delivery of certain commodities may also result into losses, because in such a situation, commodity derivative contracts may have to be squared-off at a low / high price, compared to the expected price levels, so as not to have any obligation to deliver / receive such commodities
  3. **Risk of Wider Spreads**
    - a) Spread refers to the difference in best buy price and best sell price. It represents the differential between the price of buying a commodity derivative and immediately selling it or vice versa. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid commodities / commodity derivatives contracts. This in turn will hamper better price formation
  4. **Risk-reducing orders**
    - a) Most of the Exchanges have a facility for investors to place "limit orders", "stop loss orders" etc. Placing of such orders (e.g., "stoploss" orders or "limit" orders) which are intended to limit losses to certain amounts may not be effective many a time because rapid movement in market conditions may make it impossible to execute such orders
    - b) A "market" order will be executed promptly, subject to availability of orders on opposite side, without regard to price and that while the customer may receive a prompt execution of a "market" order, the execution may be at available prices of outstanding orders, which satisfy the order quantity, on price time priority. It may be understood that these prices may be significantly different from the last traded price or the best price in that commodity derivatives contract
    - c) A "limit" order will be executed only at the "limit" price specified for the order or a better price. However, while the client received price protection, there is a possibility that the order may not be executed at all
    - d) A stop loss order is generally placed "away" from the current price of a commodity derivatives contract, and such order gets activated if and when the contract reaches, or trades through, the stop price. Sell stop orders are entered ordinarily below the current price and buy stop orders are entered ordinarily above the current price. When the contract approaches pre-determined price, or trades through such price, the stop loss order converts to a market / limit order and is executed at the limit or better. There is no assurance therefore that the limit order will be executable since a contract might penetrate the pre-determined price, in which case, the risk of such order not getting executed arises, just as with a regular limit order
  5. **Risk of News Announcements**
    - a) Traders / Manufacturers make news announcements that may impact the price of the commodities and / or commodity derivatives contracts. These announcements may occur during trading and when combined with lower liquidity and higher volatility may suddenly cause an unexpected positive or negative movement in the price of the commodity / commodity derivatives contract
  6. **Risk of Rumors**
    - a) Rumors about the price of a commodity at times float in the market through word of mouth, newspaper, websites or news agencies, etc., the investors should be wary of and should desist from acting on rumors

## 7. System Risk

- a) High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation
- b) During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in execution of order and its confirmation
- c) Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a commodity due to any action on account of unusual trading activity or price hitting circuit filters or for any other reason

## 8. System / Network Congestion

- a) Trading on the Exchange is in electronic mode, based on satellite / leased line communications, combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem / glitch whereby not being able to establish access to the trading system / network, which may be beyond the control of and may result in delay in processing or not processing buy or sell orders either in part or in full. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions

## 2. As far as Futures Commodity Derivatives are concerned, please note, and get yourself acquainted with the following additional features: -

### 1. Effect of "Leverage" or "Gearing":

- a) The amount of margin is small relative to the value of the commodity derivatives contract, so the transactions are 'leveraged' or 'geared'. Commodity Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the principal investment amount. But transactions in commodity derivatives carry a high degree of risk. You should therefore completely understand the following statements before actually trading in commodity derivatives contracts and also trade with caution while taking into account one's circumstances, financial resources, etc
- b) Trading in Futures Commodity Derivatives involves daily settlement of all positions. Every day the open positions are marked to market based on the closing price. If the closing price has moved against you, you will be required to deposit the amount of loss (notional) resulting from such movement. This margin will have to be paid within a stipulated time frame, generally before commencement of trading on the next day
- c) If you fail to deposit the additional margin by the deadline or if an outstanding debt occurs in your account, the Member of the Exchange may liquidate / square-up a part of or the whole position. In this case, you will be liable for any losses incurred due to such square-up / Close Outs
- d) Under certain market conditions, an Investor may find it difficult or impossible to execute the transactions. For example, this situation can occur due to factors such as illiquidity i.e. when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc
- e) Steps, such as, changes in the margin rate, increase in the cash margin rate etc. may be adopted in order to maintain market stability. These new measures may be applied to the existing open interests. In such conditions, you will be required to put up additional margins or reduce your positions.
- f) You must ask your Member of the Exchange to provide the full details of the commodity derivatives contracts you plan to trade i.e. the contract specifications and the associated obligations

## 3. TRADING THROUGH WIRELESS TECHNOLOGY OR ANY OTHER TECHNOLOGY:

Any additional provisions defining the features, risks, responsibilities, obligations, and liabilities associated with commodities trading through wireless technology or any other technology should be brought to the notice of the client by the member

## 4. GENERAL

### a. Deposited cash and property:

You should familiarize yourself with the protections accorded to the money or other property you deposit particularly in the event of a firm become insolvent or bankrupt. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property, which has been specifically identifiable as your own, will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall. In case of any dispute with the Member of the Exchange, the same shall be subject to arbitration as per the Rules, Bye-laws and Business Rules of the Exchange.

**b. Commission and other charges:**

Before you begin to trade, you should obtain a clear explanation of all commissions, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

- c.** The term 'Constituent' shall mean and include a Client, a Customer or an Investor, who deals with a member for the purpose of trading in the commodity derivatives through the mechanism provided by the Exchange.
- d.** The term 'member' shall mean and include a Trading Member or a Member / Broker, who has been admitted as such by the Exchange and got a registration certificate from SEBI.

**ADDITIONAL RISK DISCLOSURE DOCUMENTS FOR OPTIONS TRADING COMMODITY**

**Risk of Option holders:**

1. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells his option in the secondary market nor exercises it prior to its expiration will necessarily lose his entire investment in the option. If the price of the underlying does not change in the anticipated direction before the option expires, to an extent sufficient to cover the cost of the option, the investor may lose all or a significant part of his investment in the option
2. The Exchanges may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances

**Risks of Option Writers:**

1. If the price movement of the underlying is not in the anticipated direction, the option writer runs the risks of losing substantial amount
2. The risk of being an option writer may be reduced by the purchase of other options on the same underlying interest and thereby assuming a spread position or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short' position
3. Transactions that involve buying and writing multiple options in combination or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single option. And it should be further noted that, as in any area of investing, a complexity not well understood is, in itself, a risk factor. While this is not to suggest that combination strategies should not be considered, it is advisable, as is the case with all investments in options, to consult with someone who is experienced and knowledgeable with respect to the risks and potential rewards of combination transactions under various market circumstances

**RIGHTS AND OBLIGATIONS OF MEMBERS, AUTHORIZED PERSONS, AND CLIENTS – COMMODITY**  
**As prescribed by SEBI and Commodity Exchanges**

1. THE client shall invest / trade in those commodities / contracts / other instruments admitted to dealings on the Exchanges as defined in the Rules, Bye-laws and Business Rules / Regulations of Exchanges / SEBI and circulars / notices issued there under from time to time
  2. The Member, Authorized Person and the client shall be bound by all the Rules, Bye-laws and Business Rules of the Exchange and circulars / notices issued there under and Rules and Regulations of SEBI and relevant notifications of Government authorities as may be in force from time to time
  3. The client shall satisfy himself of the capacity of the Member to deal in commodities and / or deal in derivatives contracts and wishes to execute its orders through the Member and the client shall from time to time continue to satisfy itself of such capability of the Member before executing orders through the Member
  4. The Member shall continuously satisfy itself about the genuineness and financial soundness of the client and investment objectives relevant to the services to be provided
  5. The Member shall take steps to make the client aware of the precise nature of the Member's liability for business to be conducted, including any limitations, the liability, and the capacity in which the Member acts
  6. Requirements of professional diligence
    - a. The Member must exercise professional diligence while entering a financial contract or discharging any obligations under it
    - b. "Professional diligence" means the standard of skill and care that a Member would be reasonably expected to exercise towards a Client, commensurate with-
      - i. Honest market practice
      - ii. The principle of good faith
      - iii. Level of knowledge, experience, and expertise of the Client
      - iv. The nature and degree of risk embodied in the financial product\* or financial service being availed by the Client; and
      - v. The extent of dependence of the Client on the Member
- \* Commodity derivative contract
7. The Authorized Person shall provide necessary assistance and co-operate with the Member in all its dealings with the client(s)

**CLIENT INFORMATION**

8. The client shall furnish all such details in full as are required by the Member in "Account Opening Form" with supporting details, made mandatory by commodity exchanges / SEBI from time to time
9. The client shall familiarize himself with all the mandatory provisions in the Account Opening documents  

Any additional clauses or documents specified by the Member shall be non-mandatory; therefore, subject to specific acceptance by the client
10. The client shall immediately notify the Member in writing if there is any change in the information in the 'account opening form' as provided at the time of account opening and thereafter; including the information on winding up petition / insolvency petition or any litigation which may have material bearing on his capacity. The client shall provide / update the financial information to the Member on a periodic basis
11. **11. A Protection from unfair terms in financial contracts \*\***
  - a. An unfair term of a non-negotiated contract will be void
  - b. A term is unfair if it –
    1. Causes a significant imbalance in the rights and obligations of the parties under the financial contract, to the detriment of the Client; and
    2. Is not reasonably necessary to protect the legitimate interests of the Member
  - c. The factors to be taken into account while determining whether a term is unfair, include –
    1. The nature of the financial product or financial service dealt with under the financial contract

2. The extent of transparency of the term

\*\* Contracts offered by commodity exchanges

3. The extent to which the term allows a client to compare it with other financial contracts for similar financial products or financial services; and

4. The financial contract as a whole and the terms of any other contract on which it is dependent

d. A term is transparent if it –

1. Is expressed in reasonably plain language that is likely to be understood by the Client

2. Is legible and presented clearly; and

3. Is readily available to the Client affected by the term

e. If a term of a financial contract is determined to be unfair under point 11.A.c, the parties will continue to be bound by the remaining terms of the financial contract to the extent that the financial contract is capable of enforcement without the unfair term

**11. B**

a. "Non-negotiated contract" means a contract whose terms, other than the terms contained in point 11. C. (given below) are not negotiated between the parties to the financial contract and includes –

1. A financial contract in which, relative to the Client, the Member has a substantially greater bargaining power in determining terms of the financial contract; and

2. A standard form contracts

b. "Standard form contract" means a financial contract that is substantially not negotiable for the Client, except for the terms contained in point **11. C**

c. Even if some terms of a financial contract are negotiated in form, the financial contract may be regarded as a non-negotiated contract if so, indicated by –

1. an overall and substantial assessment of the financial contract; and

2. The substantial circumstances surrounding the financial contract

d. In a claim that a financial contract is a non-negotiated contract, the onus of demonstrating otherwise will be on the Member

**11. C**

a. The above does not apply to a term of a financial contract if it –

1. Defines the subject matter of the financial contract

2. Sets the price that is paid, or payable, for the provision of the financial product or financial service under the financial contract and has been clearly disclosed to the Client; or

3. Is required, or expressly permitted, under any law or regulations

b. The exemption under point 11.C does not apply to a term that deals with the payment of an amount which is contingent on the occurrence or non- occurrence of any particular event

12. The Member and Authorized Person shall maintain all the details of the client as mentioned in the account opening form or any other information pertaining to the client, confidentially and that they shall not disclose the same to any person / authority except as required under any law / regulatory requirements. Provided however that the Member may so disclose information about his client to any person or authority with the express permission of the client

13. **13. A** Protection of personal information and confidentiality

a. "Personal information" means any information that relates to a client or allows a client's identity to be inferred, directly or indirectly, and includes –

i. name and contact information

ii. biometric information, in case of individuals

iii. information relating to transactions in, or holdings of, financial products

- iv. information relating to the use of financial services; or
- v. such other information as may be specified

**13. B a.** Member must –

- i. Not collect personal information relating to a client in excess of what is required for the provision of a financial product or financial service.
  - ii. Maintain the confidentiality of personal information relating to Clients and not disclose it to a third party, except in a manner expressly permitted under point 13.B.b
  - iii. Make best efforts to ensure that any personal information relating to a client that it holds is accurate, up to date and complete
  - iv. Ensure that Clients can obtain reasonable access to their personal information, subject to any exceptions that the Regulator may specify; and
  - v. Allow Clients an effective opportunity to seek modifications to their personal information to ensure that the personal information held by the Member is accurate, up to date and complete
- b.** A Member may disclose personal information relating to a client to a third party only if –
- i. It has obtained prior written informed consent of the Client for the disclosure, after giving the Client an effective opportunity to refuse consent
  - ii. The Client has directed the disclosure to be made
  - iii. The Regulator has approved or ordered the disclosure, and unless prohibited by the relevant law or regulations, the Client is given an opportunity to represent under such law or regulations against such disclosure
  - iv. The disclosure is required under any law or regulations, and unless prohibited by such law or regulations, the Client is given an opportunity to represent under such law or regulations against such disclosure
  - v. The disclosure is directly related to the provision of a financial product or financial service to the Client, if the Member –
    - i. Informs the Client in advance that the personal information may be shared with a third party; and
    - ii. Makes arrangements to ensure that the third party maintains the confidentiality of the personal information in the same manner as required under this Part; or
  - vi. The disclosure is made to protect against or prevent actual or potential fraud, unauthorized transactions, or claims, if the Member arranges with the third party to maintain the confidentiality of the personal information in the manner required under this Part. –
- c.** “Third party” means any person other than the concerned Member, including a person belonging to the same group as the Member

**14. 14. A** Requirement of fair disclosure both initially and on continuing basis

1. Member must ensure fair disclosure of information that is likely to be required by a client to make an informed transactional decision
2. In order to constitute fair disclosure, the information must be provided –
  - i. Sufficiently before the Client enters into a financial contract, so as to allow the Client reasonable time to understand the information
  - ii. In writing and in a manner that is likely to be understood by a client belonging to a particular category; and
  - iii. In a manner that enables the Client to make reasonable comparison of the financial product or financial service with other similar financial products or financial services
3. The types of information that must be disclosed to a client in relation to a financial product or financial service, which may include information regarding –
  - i. Main characteristics of the financial product or financial service, including its features, benefits and risks to the Client
  - ii. Consideration to be paid for the financial product or financial service or the manner in which the consideration is calculated
  - iii. Existence, exclusion, or effect of any term in the financial product or financial contract

- iv. Nature, attributes, and rights of the Member, including its identity, regulatory status and affiliations
- v. Contact details of the Member and the methods of communication to be used between the Member and the Client
- vi. Rights of the Client to rescind a financial contract within a specified period; or
- vii. Rights of the Client under any law or regulations

**14. B**

- a. Member must ensure fair disclosure of information that is likely to be required by a client to make an informed transactional decision
  - 1. Any material changes to the information that was required to be disclosed under point 14.A at the time when the Client initially availed the financial product or financial service;
  - 2. Information relating to the status or performance of a financial product held by the Client, as may be required to assess the rights or interests in the financial product or financial service; and
  - 3. Any other information that may be specified
- b. A continuing disclosure must be made –
  - 1. Within a reasonable time-period from the occurrence of any material change or at reasonable periodic intervals, as applicable; and
  - 2. In writing and in a manner that is likely to be understood by a client belonging to that category.

**MARGINS**

- 15. The client shall pay applicable initial margins, withholding margins, special margins, or such other margins as are considered necessary by the Member or the Exchange or as may be directed by SEBI from time to time as applicable to the segment(s) in which the client trades. The Member is permitted in its sole and absolute discretion to collect additional margins (even though not required by the Exchange or SEBI) and the client shall be obliged to pay such margins within the stipulated time
- 16. The client understands that payment of margins by the client does not necessarily imply complete satisfaction of all dues. In spite of consistently having paid margins, the client may, on the settlement of its trade, be obliged to pay (or entitled to receive) such further sums as the contract may dictate / require

**TRANSACTIONS AND SETTLEMENTS**

- 17. The client shall give any order for buy or sell of commodities derivatives contract in writing or in such form or manner, as may be mutually agreed between the client and the Member however ensuring the regulatory requirements in this regard are complied with. The Member shall ensure to place orders and execute the trades of the client, only in the Unique Client Code assigned to that client
- 18. The Member shall inform the client and keep him apprised about trading / settlement cycles, delivery / payment schedules, any changes therein from time to time, and it shall be the responsibility in turn of the client to comply with such schedules / procedures of the relevant commodity exchange where the trade is executed
- 19. The Member shall ensure that the money deposited by the client shall be kept in a separate account, distinct from his / its own account or account of any other client and shall not be used by the Member for himself / itself or for any other client or for any purpose other than the purposes mentioned in Rules, circulars, notices, guidelines of SEBI and / or Rules, Business Rules, Bye-laws, circulars and notices of Exchange
- 20. Where the Exchange(s) cancels trade(s) suo moto all such trades including the trade / s done on behalf of the client shall ipso facto stand cancelled, Member shall be entitled to cancel the respective contract(s) with client(s)
- 21. The transactions executed on the Exchange are subject to Rules, Bye-laws and Business Rules and circulars / notices issued thereunder of the Exchanges where the trade is executed and all parties to such trade shall have submitted to the jurisdiction of such court as may be specified by the Bye-laws and Business Rules of the Exchanges where the trade is executed for the purpose of giving effect to the provisions of the Rules, Bye-laws and Business Rules of the Exchanges and the circulars / notices issued thereunder

**BROKERAGE**

- 22. The Client shall pay to the Member brokerage and statutory levies as are prevailing from time to time and as they apply to the Client's account, transactions and to the services that Member renders to the Client. The Member shall not charge brokerage more than the maximum brokerage permissible as per the Rules, Business Rules and Bye-laws of the relevant commodity exchanges and / or Rules of SEBI

## LIQUIDATION AND CLOSE OUT OF POSITION

23. Without prejudice to the Member's other rights (including the right to refer a matter to arbitration), the client understands that the Member shall be entitled to liquidate / close out all or any of the client's positions for non-payment of margins or other amounts, outstanding debts, etc. and adjust the proceeds of such liquidation / close out, if any, against the client's liabilities / obligations. Any and all losses and financial charges on account of such liquidation / closing-out shall be charged to and borne by the client
24. In the event of death or insolvency of the client or his / its otherwise becoming incapable of receiving and paying for or delivering or transferring commodities which the client has ordered to be bought or sold, Member may close out the transaction of the client and claim losses, if any, against the estate of the client

The client or his nominees, successors, heirs and assignee shall be entitled to any surplus which may result there from. The client shall note that transfer of funds / commodities in favor of a Nominee shall be valid discharge by the Member against the legal heir

## DISPUTE RESOLUTION

25. The Member shall co-operate in redressing grievances of the client in respect of all transactions routed through it
26. The client and the Member shall refer any claims and / or disputes with respect to deposits, margin money, etc., to arbitration as per the Rules, Bye-laws and Business Rules of the Exchanges where the trade is executed and circulars / notices issued thereunder as may be in force from time to time
27. The client / Member understands that the instructions issued by an authorized representative for dispute resolution, if any, of the client / Member shall be binding on the client / Member in accordance with the letter authorizing the said representative to deal on behalf of the said client / Member
28. Requirement for each Member to have an effective grievance redress mechanism which is accessible to all its clients
  - a. A Member must have in place an effective mechanism to receive and redress complaints from its clients in relation to financial products or financial services provided by it, or on its behalf, in a prompt and fair manner
  - b. A Member must inform a client, at the commencement of relationship with the Client and at such other time when the information is likely to be required by the Client, of –
    - i. The Client's right to seek redress for any complaints; and
    - ii. The processes followed by the Member to receive and redress complaints from its clients
29. **Suitability of advice for the Client**

Right to receive advice that is suitable taking into account the relevant personal circumstances of the Client, such as the Client's financial circumstances and needs. This obligation would apply to persons who render advice to Clients and the regulator may specify categories of financial products and service that necessarily require such advice to be given

  - a. A Member must –
    - i. Make all efforts to obtain correct and adequate information about the relevant personal circumstances of a client; and
    - ii. Ensure that the advice given is suitable for the Client after due consideration of the relevant personal circumstances of the Client
  - b. If it is reasonably apparent to the Member that the available information regarding the relevant personal circumstances of a client is incomplete or inaccurate, the Member must warn the Client of the consequences of proceeding on the basis of incomplete or inaccurate information
  - c. If a client intends to avail of a financial product or financial service that the Member determines unsuitable for the Client, the Member –
    - i. Must clearly communicate its advice to the Client in writing and in a manner that is likely to be understood by the Client; and
    - ii. May provide the financial product or financial service requested by the Client only after complying with point 29 a. and obtaining a written acknowledgement from the Client

## 30. Dealing with conflict of interest

In case of any conflict between the interests of a client and that of the Member, preference must be given to the Client interests.

- a. A member must –
  - i. Provide a client with information regarding any conflict of interests, including any conflicted remuneration that the Member has received or expects to receive for making the advice to the Client; and

- ii. Give priority to the interests of the Client if the Member knows, or reasonably ought to know, of a conflict between  
–
  1. Its own interests and the interests of the Client; or
  2. The interests of the concerned Member and interests of the Client, in cases where the Member is a financial representative.
    - b. The information under point **30 a. i.** must be given to the Client in writing and in a manner that is likely to be understood by the Client and a written acknowledgement of the receipt of the information should be obtained from the Client
    - c. In this section, “conflicted remuneration” means any benefit, whether monetary or non-monetary, derived by a Member from persons other than Clients that could, under the circumstances, reasonably be expected to influence the advice given by the Member to a Client

#### **TERMINATION OF RELATIONSHIP**

31. This relationship between the Member and the client shall be terminated; if the Member for any reason ceases to be a member of the commodity exchange including cessation of membership by reason of the Member's default, death, resignation, or expulsion or if the certificate is cancelled by the Exchange
32. The Member, Authorized Person and the client shall be entitled to terminate the relationship between them without giving any reasons to the other party, after giving notice in writing of not less than one month to the other parties. Notwithstanding any such termination, all rights, liabilities, and obligations of the parties arising out of or in respect of transactions entered into prior to the termination of this relationship shall continue to subsist and vest in / be binding on the respective parties or his / its respective heirs, executors, administrators, legal representatives or successors, as the case may be
33. In the event of demise / insolvency of the Authorized Person or the cancellation of his / its registration with the Board or / withdrawal of recognition of the Authorized Person by the commodity exchange and / or termination of the agreement with the Authorized Person by the Member, for any reason whatsoever, the client shall be informed of such termination and the client shall be deemed to be the direct client of the Member and all clauses in the 'Rights and Obligations' document(s) governing the Member, Authorized Person and client shall continue to be in force as it is, unless the client intimates to the Member his / its intention to terminate their relationship by giving a notice in writing of not less than one month

#### **ADDITIONAL RIGHTS AND OBLIGATIONS**

34. The Member and client shall reconcile and settle their accounts from time to time as per the Rules, Business Rules, Bye Laws, Circulars, Notices and Guidelines issued by SEBI and the relevant Exchanges where the trade is executed
35. The Member shall issue a contract note to his clients for trades executed in such format as may be prescribed by the Exchange from time to time containing records of all transactions including details of order number, trade number, trade time, trade price, trade quantity, details of the derivatives contract, client code, brokerage, all charges levied etc. and with all other relevant details as required therein to be filled in and issued in such manner and within such time as prescribed by the Exchange. The Member shall send contract notes to the investors within 24 hours of the execution of the trades in hard copy and / or in electronic form using digital signature
36. The Member shall make pay out of funds or delivery of commodities as per the Exchange Rules, Bye-Laws, Business Rules and Circulars, as the case may be, to the Client on receipt of the payout from the relevant Exchange where the trade is executed unless otherwise specified by the client and subject to such terms and conditions as may be prescribed by the relevant Exchange from time to time where the trade is executed.
37. The Member shall send a complete `Statement of Accounts' for both funds and commodities in respect of each of its clients in such periodicity and format within such time, as may be prescribed by the relevant Exchange, from time to time, where the trade is executed. The Statement shall also state that the client shall report errors, if any, in the Statement within such time as may be prescribed by the relevant Exchange from time to time where the trade was executed, from the receipt thereof to the Stock broker
38. The Member shall send margin statements to the clients on daily basis. Margin statement should include, inter-alia, details of collateral deposited, collateral utilized and collateral status (available balance / due from client) with break up in terms of cash, Fixed Deposit Receipts (FDRs), Bank Guarantee, warehouse receipts, securities etc
39. The Client shall ensure that it has the required legal capacity to, and is authorized to, enter into the relationship with Member and is capable of performing his obligations and undertakings hereunder. All actions required to be taken to ensure compliance of all the transactions, which the Client may enter into shall be completed by the Client prior to such transaction being entered into.
40. In case, where a member surrenders his / her / its membership, Member gives a public notice inviting claims, if any, from investors. In case of a claim relating to transactions executed on the trading system of the Exchange, ensure that client lodge a claim with the Exchange within the stipulated period and with the supporting documents

**41.****41. A** Protection from unfair conduct which includes misleading conduct and abusive conduct

- a. Unfair conduct in relation to financial products or financial services is prohibited
- b. "Unfair conduct" means an act or omission by a member or its financial representative that significantly impairs, or is likely to significantly impair, the ability of a Client to make an informed transactional decision and includes –
  - i. Misleading conduct under point 41.B
  - ii. Abusive conduct under point 41.C
  - iii. Such other conduct as may be specified.

**41. B**

- a. Conduct of a Member or its financial representative in relation to a determinative factor is misleading if it is likely to cause the Client to take a transactional decision that the Client would not have taken otherwise, and the conduct involves –
  - i. Providing the Client with inaccurate information or information that the Member or financial representative does not believe to be true; or
  - ii. Providing accurate information to the Client in a manner that is deceptive.
- b. In determining whether a conduct is misleading under point 41.B.a, the following factors must be considered to be "determinative factors"–
  - i. The main characteristics of a financial product or financial service, including its features, benefits and risks to the Client
  - ii. The Client's need for a particular financial product or financial service or its suitability for the Client
  - iii. The consideration to be paid for the financial product or financial service or the manner in which the consideration is calculated
  - iv. The existence, exclusion, or effect of any term in a financial contract, which is material term in the context of that financial contract
  - v. The nature, attributes, and rights of the Member, including its identity, regulatory status and affiliations; and
  - vi. The rights of the Client under any law or regulations

**41. C**

- a. A conduct of a member or its financial representative in relation to a financial product or financial service is abusive if it–
  1. Involves the use of coercion or undue influence; and
  2. Causes or is likely to cause the Client to take a transactional decision that the Client would not have taken otherwise
- b. In determining whether a conduct uses coercion or undue influence, the following must be considered –
  1. The timing, location, nature, or persistence of the conduct
  2. The use of threatening or abusive language or behavior
  1. The exploitation of any particular misfortune or circumstance of the Client, of which the Member is aware, to influence the Client's decision with regard to a financial product or financial service
  2. Any non-contractual barriers imposed by the Member where the Client wishes to exercise rights under a financial contract, including –
    - The right to terminate the financial contract
    - The right to switch to another financial product or another Member and
  3. A threat to take any action, depending on the circumstances in which the threat is made

**ELECTRONIC CONTRACT NOTES (ECN)**

42. In case, client opts to receive the contract note in electronic form, he shall provide an appropriate e-mail id (created by the client) to the Member (Kindly refer Appendix A of Annexure 3). Member shall ensure that all the rules / Business Rule / Bye-laws / circulars issued from time to time in this regard are complied with. The client shall communicate to the Member any change in the email-id through a physical letter. If the client has opted for internet trading, the request for change of email id may be made through the secured access by way of client specific user id and password
43. The Member shall ensure that all ECNs sent through the e-mail shall be digitally signed, encrypted, non-tamperable and in compliance with the provisions of the IT Act, 2000. In case, ECN is sent through e-mail as an attachment, the attached file

shall also be secured with the digital signature, encrypted and non-tamperable

44. The client shall note that non-receipt of bounced mail notification by the Member shall amount to delivery of the contract note at the e-mail ID of the client
45. The Member shall retain ECN and acknowledgement of the e-mail in a soft and non-tamperable form in the manner prescribed by the exchange in compliance with the provisions of the IT Act, 2000 and as per the extant rules / circulars / guidelines issued by SEBI / Commodity exchanges from time to time. The proof of delivery i.e., log report generated by the system at the time of sending the contract notes shall be maintained by the Member for the specified period under the extant rules / circulars / guidelines issued by SEBI / Commodity exchanges. The log report shall provide the details of the contract notes that are not delivered to the client / e-mails rejected or bounced back. The Member shall take all possible steps to ensure receipt of notification of bounced mails by him at all times within the stipulated time period under the extant rules / circulars / guidelines issued by SEBI / Commodity exchanges
46. The Member shall continue to send contract notes in the physical mode to such clients who do not opt to receive the contract notes in the electronic form. Wherever the ECNs have not been delivered to the client or has been rejected (bouncing of mails) by the e-mail ID of the client, the Member shall send a physical contract note to the client within the stipulated time under the extant Regulations / Rules, Bye-laws, Business Rules, and Circulars of SEBI / commodity exchanges and maintain the proof of dispatch and delivery of such physical contract notes
47. In addition to the e-mail communication of the ECNs to the client, the Member shall simultaneously publish the ECN on his designated website, if any, in a secured way and enable relevant access to the clients and for this purpose, shall allot a unique user name and password to the client, with an option to the client to save the contract note electronically and / or take a print out of the same
48. The Electronic Contract Note (ECN) declaration form obtained from the Client who opts to receive the contract note in electronic form. This declaration will remain valid till it is revoked by the client

#### **LAW AND JURISDICTION**

49. In addition to the specific rights set out in this document, the Member, Authorized Person and the client shall be entitled to exercise any other rights which the Member or the client may have under the Rules, Bye-laws and Business Rules of the Exchanges in which the client chooses to trade, and circulars / notices issued thereunder or Rules of SEBI
50. The provisions of this document shall always be subject to Government notifications, any rules, guidelines and circulars / notices issued by SEBI and Circulars, Rules, Business Rules and Bye laws of the relevant commodity exchanges, where the trade is executed, that may be in force from time to time
51. The Member and the client shall abide by any award passed by the Arbitrator(s) under the Arbitration and Conciliation Act, 1996. However, there is also a provision of appeal, if either party is not satisfied with the arbitration award
52. Words and expressions which are used in this document, but which are not defined herein shall, unless the context otherwise requires, have the same meaning as assigned thereto in the Rules, Bye-laws and Regulations / Business Rules and circulars / notices issued thereunder of the Exchanges / SEBI
53. All additional voluntary / non-mandatory clauses / document added by the Member should not be in contravention with Rules / Business Rules / Notices / Circulars of Exchanges / SEBI. Any changes in such voluntary clauses / document(s) need to be preceded by a notice of 15 days. Any changes in the rights and obligations which are specified by Exchanges / SEBI shall also be brought to the notice of the clients
54. If the rights and obligations of the parties hereto are altered by virtue of change in Rules of SEBI or Bye-laws, Rules and Business Rules of the relevant commodity exchanges where the trade is executed, such changes shall be deemed to have been incorporated herein in modification of the rights and obligations of the parties mentioned in this document
55. Members are required to send account statement to their clients every month in physical form

**GUIDANCE NOTE - DO's AND DON'Ts FOR THE CLIENTS - COMMODITY****DO's**

1. Trade only through Registered Members of the Exchange. Check from the Exchange website at following link  
MCX: <https://www.mcxindia.com/membership/notice-board/Member-AP>.  
NCDEX: <https://www.ncdex.com/Membership/MemDirectory.aspx>  
To see whether the - Details to see whether the Member is registered with the Exchange
2. Insist on filling up a standard 'Know Your Client (KYC)' form before you commence trading.
3. As Insist on getting a Unique Client Code (UCC) and ensure all your trades are done under the said UCC
4. Insist on reading and signing a standard 'Risk Disclosure Agreement'
5. Obtain a copy of your KYC and / or other documents executed by you with the Member, from the Member
6. Cross check the genuineness of trades carried out at the Exchange through the trade verification facility available on the Exchange website at the following link <https://www.mcxindia.com/en/login>. The trades can be verified online where trade information is available up to 5 working days from the trade date
7. Insist on a duly signed Contract Note in specified format for every executed trade within 24 hours of trade, highlighting the details of the trade along with your UCC
8. Ensure that the contract note contains all the relevant information such as member registration number, order no., order date, order time, trade no., trade rate, quantity, arbitration clause, etc.
9. Obtain receipt for collaterals deposited with the Member towards margins
10. Go through the rules, bye-laws, regulations, circulars, directives, notifications of the exchange as well as of the regulators, government and other authorities to know your rights and duties vis-a-vis those of the member
11. Ask all relevant questions and clear your doubts with your member before transacting
12. Insist on receiving the bills for every settlement
13. Insist on monthly statements of your ledger account and report any discrepancies in the statement to your member within 7 working days. In case of unsatisfactory response report the discrepancy to the exchange within 15 working days from the date of cause of action
14. Scrutinize minutely both the transaction and holding statements that you receive from your Depository Participant
15. Keep Delivery Instruction Slips (DIS) book issued by DPs in safe possession
16. Ensure that the DIS numbers are preprinted and your account number (UCC) is mentioned in the DIS book
17. Freeze your Demat account in case of your absence for longer duration or in case of not using the account frequently
18. Pay required margins in time
19. Deliver the commodities in case of sale or pay the Amount in case of purchase within the time prescribed
20. Understand and comply with accounting standards for derivatives
21. Ensure to read, understand, and then sign the voluntary clauses, if any, agreed between you and the Member. Note that the clauses as agreed between you and the Member cannot be changed without your consent
22. Get a clear idea about all brokerage, commissions, fees, and other charges levied by the Member on you for trading and the relevant provisions / guidelines specified by SEBI / Commodity exchanges
23. Make the payments by account payee cheque in favour of the Member. Ensure that you have a documentary proof of your payment / deposit of commodities with the Member, stating date, commodity, quantity, towards which bank / demat account such money or commodities (in the form of warehouse receipts) deposited and from which bank / demat account
24. The payout of funds or delivery of commodities (as the case may be) shall not be made to you within one working day from the receipt of payout from the Exchange in case you have given specific authorization for maintaining running account to the member. Thus, in this regard, the running account authorization provided by you to the Member shall be subject to the following conditions:
  - i. Such authorization from you shall be dated, signed by you only and contains the clause that you may revoke the same at any time

- ii. You need to bring any dispute arising from the statement of account to the notice of the Member in writing preferably within 7 (seven) working days from the date of receipt of funds / commodities or statement, as the case may be. In case of dispute, refer the matter in writing to the Investors Grievance Cell of the relevant Commodity exchanges without delay
  - iii. In case you have not opted for maintaining running account and pay-out is not received on the next working day of the receipt of payout from the exchanges, please refer the matter to the Member. In case there is dispute, ensure that you lodge a complaint in writing immediately with the Investors Grievance Cell of the relevant Commodity exchange
  - iv. Please register your mobile number and email id with the Member, to receive trade confirmation alerts / details of the transactions through SMS or email, by the end of the trading day, from the commodity exchanges
25. You should familiarize yourself with the protection accorded to the money or other property you may deposit with your member, particularly in the event of a default in the commodity derivatives or the member becomes insolvent or bankrupt
  26. Please ensure that you have a documentary proof of having made the deposit of such money or property with the member, stating towards which account such money or property deposited
  27. In case your problem / grievance / issue is not being sorted out by concerned Member / Authorized Person then you may take up the matter with the concerned Commodity Exchange. If you are not satisfied with the resolution of your complaint, then you can escalate the matter to SEBI

#### **Don'ts**

1. Do not deal with any unregistered intermediaries
2. Do not undertake off-market transactions as such transactions are illegal and fall outside the jurisdiction of the Exchange
3. Do not enter into assured returns arrangement with any Member
4. Do not get carried away by luring advertisements, rumors, hot tips, explicit / implicit promise of returns, etc.
5. Do not make payments in cash / take any cash towards margins and settlement to / from the Member
6. Do not start trading before reading and understanding the Risk Disclosure Agreement
7. Do not neglect to set out in writing, orders for higher value given over phone
8. Do not accept unsigned / duplicate contract note / confirmation memo
9. Do not accept contract note / confirmation memo signed by any unauthorized person
10. Do not share your internet trading account's password with anyone
11. Do not delay payment / deliveries of commodities to Member
12. Do not forget to take note of risks involved in the investments
13. Do not sign blank Delivery Instruction Slips (DIS) while furnishing commodities, deposits and / or keep them with Depository Participants (DP) or member to save time
14. Do not pay brokerage in excess of that rates prescribed by the Exchange
15. Do not issue cheques in the name of Authorized Person

**RIGHTS AND OBLIGATIONS DOCUMENT FOR SLBS**

- i. The Securities and Exchange Board of India ("SEBI") has formulated and issued the Securities Lending Scheme, 1997 ("SEBI Scheme") and SEBI Circular No MRD / DOP / SE / Dep / Cir-14 / 2007 dated 20th December 2007 for facilitating lending and borrowing of securities through an "Approved Intermediary" registered with SEBI
- ii. NSE Clearing Ltd. is an Approved Intermediary ("AI") registered under the SEBI Scheme and is, therefore, authorized to facilitate lending and borrowing of securities in accordance with the SEBI Scheme and Circulars of SEBI issued from time to time. Accordingly, the AI has framed the Securities Lending and Borrowing Scheme (hereinafter referred to as "SLBS") for facilitating lending and borrowing of securities through persons registered as "Participants"
- iii. SEBI, thereafter, vide its Circular No. CIR / NRD / DP / 19 / 2014 dated June 3, 2014 ("SEBI Circular") has modified the framework of Securities Lending and Borrowing. Under the said SEBI Circular, AI shall enter into an agreement with its Clearing Member / Participant ("Agreement") for the purpose of facilitating Securities Lending and Borrowing and which shall specify the rights, responsibilities and obligations of the AI and the Clearing Member / Participant ("Participant"). The said Agreement shall also define the exact role of AI / Participant vis-à-vis the Client of Participant. As per the said SEBI Circular, AI is also required to frame rights and obligations document laying down the rights and obligations of the Participant and its Client for the purpose of Securities Lending and Borrowing. The said rights and obligations document shall be mandatory and binding on the Participant. Accordingly, the AI has framed this rights and obligations document laying down the rights and obligations of Participant as well as of its client ("Rights and Obligations Document")
- iv. Securities Lending and Borrowing can be undertaken by the Participant either on their own account or on account of its client registered with them. Any person(s) who meets the eligibility criteria as may be specified by the AI for the Clients under the SLBS, shall be eligible to participate in the SLBS by submitting duly signed relevant documentation / s to the Participant that it is desirous of participating in the SLBS. The Participant on the receipt of said relevant documentation / s from its Client, shall provide this Rights and Obligations Document to its Client which will be duly acknowledged by the Client of having read, understood and to agreeing to abide by the same prior to the execution of trade in the SLBS. The terms and conditions of this Rights and Obligations Document shall be binding on the Participant as well as on its Client
- v. All the transactions under the SLBS by the Client shall be strictly in accordance with SEBI Scheme, Circulars of SEBI, SLBS and the Circulars issued thereunder and the Rules, Bye-laws, Regulations of the AI as a Clearing Corporation as applicable and the terms and conditions of the said Agreement. In the event of any conflict or contradiction between the provisions of the SEBI Scheme, Circulars of SEBI, SLBS and the Circulars issued thereunder and the Rules, Bye-laws, Regulations of the AI as a Clearing Corporation as applicable and the terms and conditions of the said Agreement and this Rights and Obligations Document, the provisions of the SEBI Scheme, Circulars of SEBI, SLBS and the Circulars issued thereunder, the Rules, Bye-laws and Regulations of the AI as a Clearing Corporation and the terms and conditions of the said Agreement shall prevail over this Rights and Obligations Document. The provisions of this Rights and Obligations Document are in addition thereto and not in derogation thereof
- vi. The Participant has made the Client aware of and the Client has understood the precise nature of the Participant's liability towards the Client under SLBS including any limitations on the liability and the capacity in which the Participant Acts
- vii. Subject to the SEBI Scheme, Circulars of SEBI, SLBS and Circulars issued thereunder, and / or the Rules, Bye-laws, Regulations of the AI as a Clearing Corporation as applicable and as in force from time to time, the rights, and obligations of the Participant as well as its Client shall be hereto as under
- viii. Unless the context otherwise requires, the words and expressions used herein shall have the same meaning as defined in Securities Contracts (Regulation) Act, 1956 or Securities and Exchange Board of India Act, 1992 or Securities Lending Scheme, 1997 or Depositories Act, 1996 or the rules and regulations made thereunder respectively or Circulars of SEBI or SLBS and the Circulars issued thereunder and the Rules, Bye-laws and Regulations of the AI as a Clearing Corporation

**RIGHTS OF THE PARTICIPANT**

- ix. In consideration of the Participant providing full-fledged securities lending and borrowing under the SLBS, the Participant shall be entitled for charges, fees, other levies and / or any such other charges, subject to such limits as may be permitted by the AI in its Circulars from time to time
- x. **Margins**  
The Participant is empowered to call upon its Client to pay such margins as may be specified by the AI from time to time
- xi. **Recovery**  
The Participant shall be entitled to recover from the Client the loss or charges, fees, other levies and / or any such other charges that has been paid by the Participant to the AI or imposed by the AI on account of its Client arising out of default or transactions under the SLBS whether current or past that are effected by the Client in meeting its obligations by adjusting margins and other deposits, if any, available with the Participant against the Client's liabilities / obligations

**OBLIGATIONS OF THE PARTICIPANT**

- xii. The Participant has satisfied itself about the genuineness and financial soundness of the Client and the objectives relevant to the services to be provided and is therefore, agreeable to facilitating such participation subject to the terms and conditions

contained herein

**xiii. Issue of Confirmation Memo**

The Participant shall, upon execution of the Client's transaction on the order matching platform of the AI, issue the confirmation memo in the specified format or such other documents to the Client within such time as may be prescribed by the AI from time to time.

**xiv. Money / Securities to be kept in separate account:**

The Participant agrees that the money / securities deposited by the Client shall be kept in a separate bank account / settlement demat account, distinct from its own account or accounts of any other Clients, and shall not be used by the Participant for itself or for any other Clients or for any purpose other than the purposes mentioned in the SEBI Scheme, Circulars of SEBI, SLBS and Circulars issued thereunder and / or the Rules, Bye-laws, Regulations of the AI as a Clearing Corporation and as in force from time to time

**xv. Update on Settlement Process**

The Participant agrees to inform and keep the Client apprised about securities lending and borrowing settlement cycles, delivery / payment schedules and any changes therein from time to time

**xvi. Compliance with Know Your Client Norms**

The Participant undertakes to maintain the "Know Your Client" details of the Client as mentioned in the Client Registration Form or any other information pertaining to the Client in confidence and that it shall not disclose the same to any person / authority except to the AI or as required under any law / regulatory requirements or in compliance with any decree, order or direction of any Court, Tribunal, SEBI or other authority duly empowered in law; Provided however that the Participant may so disclose information about its Client to any person or authority with the express permission of the Client

**xvii. Reconciliation of Account**

The Participant and the Client shall agree to reconcile their accounts regularly with reference to the transactions under the SLBS

**xviii. Return of Securities and Lending Fees Where the Client is a lender unless otherwise agreed upon between the Participant and the Client**

a. The Participant shall ensure the return of securities to the Client by transferring the same to the Client's account within such time as may be prescribed by the AI

b. The Participant shall ensure the return of the lending fees to the Client within such time as may be prescribed by the AI

**xix. Delivery of Securities Where Client is a borrower unless otherwise agreed upon between the Participant and the Client–**

The Participant shall ensure the delivery of securities to the Client by transferring the same to the Client's account within such time as may be prescribed by the AI

#### **RIGHTS OF THE CLIENT**

**xx.** Where the Client is the lender unless otherwise agreed upon between the Participant and the Client –

a) The Client shall be entitled to receive the securities lent or financial compensation in lieu thereof, computed in such manner as may be specified by the AI from time to time

b) The Client shall be entitled to receive lender's fee for the securities lent

**xxi.** Where the Client is the borrower unless otherwise agreed upon between the Participant and the Client –

a) The Client shall be entitled to receive securities borrowed or financial compensation in lieu thereof, computed in such manner as may be specified by the AI from time to time

b) The Client shall be entitled to receive from the Participant, the collateral in case the Client has deposited securities approved by the AI as collateral

**xxii.** Notwithstanding any other provisions of the said Agreement and this Rights and Obligations Document, the Client shall be entitled to have all the rights that are conferred on it from time to time under the SEBI Scheme, Circulars of SEBI, SLBS and the Circulars issued thereunder

#### **OBLIGATION OF THE CLIENT**

**xxiii. Abide by Law and Acquaintance to Law**

The Participant declares that it has brought the contents of the SEBI Scheme, Circulars of SEBI, SLBS and the Circulars issued thereunder from time to time, and the terms and conditions of the said Agreement to the notice of the Client and the Client agrees to comply with and adhere to the same

**xxiv. Update and Comply with the Settlement Process**

Notwithstanding anything contained in Clause 15 hereto, the Client shall at all times make its own inquiries and keep itself updated on all settlement cycles, delivery / payment schedules and changes therein, and it shall be the responsibility of the

Client to comply with such schedules / procedures of the AI.

**xxv. Processing Charges**

The Client agrees to pay the Participant, processing charges and statutory levies prevailing from time to time or any other charges for the services provided by the Participant. The Participant agrees that it shall not charge processing charges / fees beyond the maximum limit permissible under the SEBI Scheme, Circulars of SEBI, SLBS and the Circulars issued thereunder from time to time.

**xxvi. Change in Client Registration Form**

The Client agrees to immediately notify the Participant in writing whenever there is any change of information in the details provided by the Client to the Participant at the time of its registration with the Participant and also as provided in the said relevant documentation / s required for participating in SLBS

**xxvii. Authorized Representative**

The Client agrees to be bound by the instructions issued by its authorized representative, if any, in accordance with the letter authorizing the said representative to deal on its behalf

**xxviii. Return of Securities**

The Client shall return the equivalent number of securities of the same type and class borrowed by it within the time specified by the AI in the Circulars issued from time to time

**xxix. Payment of Margins**

The Client agrees to pay such margins as may be specified by the Participant in accordance with the requirement of AI or SEBI from time to time

**xxx. Exposure / Position Limits**

The Client agrees to abide by the exposure / position limits, if any, set by the Participant or the AI or SEBI from time to time

**xxxi. Securities lent to be Unencumbered**

The Client agrees and warrants that the securities lent are free from lien, charge, pledge or any encumbrance(s) of whatsoever nature

**a. Insolvency**

The Client agrees to immediately furnish information to the Participant in writing, if any winding up petition or insolvency petition has been filed or any winding up or insolvency order or decree or award is passed against it or if any litigation which may have material adverse bearing on its net worth has been filed against it.

**b. Cancellation of Transactions**

Notwithstanding anything contained in the said Agreement, the AI shall be entitled to cancel transactions under the SLBS, either on an application by a Participant or suo moto or under regulatory directions, and in such event, the transactions done on behalf of the Client shall ipso facto stand cancelled, and neither the AI nor the Participant shall be liable to compensate the Client for any loss whatsoever (including opportunity loss) arising out of such cancellation.

**c. Discontinuation of SLBS and Participation in SLBS**

The AI shall be entitled to discontinue the SLBS or the participation of the Participant in the SLBS at any time at its discretion. Such discontinuation may be subject to such terms and conditions as may be specified by the AI from time to time

### ARBITRATION

**d.** The Participant and the Client shall co-operate with each other and / or the AI in redressing their grievances in respect of transactions under the SLBS.

**e.** All disputes and differences or questions arising out of or in relation to this agreement including obligations, failure, or breach thereof by any of the parties and / or of any matter whatsoever arising out of this agreement shall in the first instance be resolved mutually by the parties. If the parties fail to resolve the same mutually, then the same shall be referred to and decided by arbitration in accordance with the procedures as prescribed by the AI under the SLBS and the Circulars issued thereunder

### GOVERNING LAW AND JURISDICTION

**f.** In relation to any legal action or proceedings to which the AI is a party, the Participant as well as the Client irrevocably submit to the exclusive jurisdiction of the courts of Mumbai, India and waive any objection to such proceedings on grounds of venue or on the grounds that the proceedings have been brought in an inconvenient forum

**g.** In relation to any legal action or proceedings to which AI is not a party, the parties irrevocably submit to the jurisdiction of any competent court of law where the Client ordinarily resides at the time of execution of the transactions under the SLBS