

## **RISK DISCLOSURE DOCUMENT FOR CAPITAL MARKET 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 The constituent shall be solely responsible for the consequences and no contract can be rescinded on that account.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, Byelaws 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:**

#### **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.

**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.

**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.

**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 "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.

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.

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.

**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.

**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.

**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.

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.

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.

**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:-**

**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.

**Currency specific risks:**

1. 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.

2. 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 fixed trading bands are widened.

3. 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 market place. 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.

**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.

### **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.

**RIGHTS AND OBLIGATIONS OF STOCK BROKERS, SUB-BROKERS 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, Byelaws 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, sub-broker and the client shall be bound by all the Rules, Byelaws and Regulations 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 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 sub-broker 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 & 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 sub-broker 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, Byelaws 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 Byelaws and Regulations of the Exchanges where the trade is executed for the purpose of giving effect to the provisions of the Rules, Byelaws 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 Client's 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 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.
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 favor 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, Byelaws and Regulations of the Exchanges where the trade is executed and circulars/notices issued thereunder 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-à-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, sub-broker 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 sub-broker or the cancellation of his/its registration with the Board or/withdrawal of recognition of the sub-broker by the stock exchange and/or termination of the agreement with the sub broker 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, sub-broker 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-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.

39. The client shall note that non-receipt of bounced 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 of 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, sub-broker 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, Byelaws 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 clients.
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 & WIRELESS TECHNOLOGY BASED TRADING FACILITY PROVIDED BY STOCK BROKERS 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 is eligible for providing Internet based trading (IBT) and securities 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 shall comply with all requirements applicable to internet based trading/securities trading using wireless technology as may be specified by SEBI & the Exchanges from time to time.
2. The client is desirous of investing/trading in securities and for this purpose, the client is desirous of using either the internet based trading facility or the facility for securities trading through use of wireless technology. The Stock broker shall provide the Stock broker's IBT Service to the Client, and the Client shall avail of the Stock broker's IBT Service, on and subject to SEBI/Exchanges Provisions and the terms and conditions specified on the Stock broker's IBT Web Site provided that they are in line with the norms prescribed by Exchanges/SEBI.
3. The stock broker shall bring to the notice of client the features, risks, responsibilities, obligations and liabilities associated with securities 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.
4. The stock broker shall make the client aware that the Stock Broker's 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 any person whosoever through the Stock broker's 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 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
6. The Client shall immediately notify the Stock broker in writing if he forgets his password, discovers security flaw in Stock Broker's IBT 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 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 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 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 com lex hardware, software, systems, communication lines, peripherals, etc. are susceptible to interruptions and dislocations. The Stock broker and the Exchange do not make any representation or warranty that the Stock broker'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 on account of any suspension, interruption, non-availability or malfunctioning of the Stock broker'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/Exchange end for any reason beyond the control of the stock broker/Exchanges.

**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 [www.nseindia.com](http://www.nseindia.com) & [www.bseindia.com](http://www.bseindia.com) 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 sub-broker. Ensure that you have a documentary proof of your payment/deposit of securities with the stock broker, stating date, scrip, quantity, towards which bank! demat account such money or securities deposited and from which bank! demat account.
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, 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 may maintain a 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 gives 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/sub-broker 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/sub-brokers have been mandated by SEBI to designate an email ID of the grievance Redressal division/compliance officer exclusively for the purpose of registering complaints.

## **POLICIES AND PROCEDURE**

This Policy and Procedure document of UPSTOX SECURITIES PVT. LTD. contains important information on trading in Equities, F&O and Currency Derivative segment(s) of the Exchange(s) through UPSTOX SECURITIES PVT. LTD. All clients should read this document before trading. Since the dimensions of Securities Trading are dynamic and ever changing, Clients are further advised to keep themselves updated with the changing environment and Regulatory provisions, framework and environment.

### **REFUSAL OF ORDER FOR PENNY STOCK**

Following types of scrips will come under Penny stock if it falls in any one category as mentioned below as part of the due diligence and risk management policy of UPSTOX SECURITIES PVT. LTD.:

- a) Scrip which are quoting at less than Rs. 10/- on any of the Exchanges.
- b) Scrips appearing in the list of illiquid securities issued by the Exchanges periodically.
- c) Securities forming part of Trade-to-Trade settlement.
- d) Securities forming part of Z group.
- e) Scrips on which Exchange VaR is more than 50%.
- f) Scrip whose average daily volume is less than 15000 shares (collectively for all Exchanges) in last seven days.
- g) Any Securities which in the opinion of UPSTOX SECURITIES PVT. LTD. is likely to be a Penny Stock. Trading in Penny stocks may be allowed to clients at the sole discretion of UPSTOX SECURITIES PVT. LTD. Also UPSTOX SECURITIES PVT. LTD. may restrict the quantity/amount which a client may be allowed to buy/sell the penny stock. If the client wants to purchase Penny stocks then UPSTOX SECURITIES PVT. LTD. may insist upto 100% advance payment/ sufficient clear ledger credit balance and similarly if client wishes to sell Penny stock, then UPSTOX SECURITIES PVT. LTD. may insist that shares should be first transferred to beneficiary demat account of UPSTOX SECURITIES PVT. LTD. Under no circumstances, UPSTOX SECURITIES PVT. LTD. shall be held responsible for non- execution/delay in execution of such orders and consequential opportunity loss or financial loss to the client.
- h) Clients must ensure that trading in "Penny stock" doesn't result in creation of artificial volume or false or misleading appearance of trading. Further, clients should ensure that trading in "Penny stock" doesn't operate as a device to inflate or depress or cause fluctuations in the price of such stock. Clients are expected not to place orders in penny stocks at prices which are substantially different from the prevailing market prices. Any such order is liable to be rejected at the sole discretion of UPSTOX SECURITIES PVT. LTD.

### **SETTING UP CLIENT'S EXPOSURE LIMITS**

As a part of sound risk management policy of UPSTOX SECURITIES PVT. LTD., the client will not be allowed to place orders in far months contract i.e. any order having expiry cycle of three months (far away contracts) in the Derivatives Segment. In the event of crossing of Market Wide Position Limit (MWPL) ( in terms of the number of open positions in underlying security) specified by SEBI / Exchange in a security and a security being under ban / restriction period, the client shall not be allowed to take new / further position in the said security during such ban / restriction period, and the client shall be allowed to trade only to decrease his/ her / its position through offsetting positions in the said security during which the ban / restriction on fresh position is in force for the said security. In the event of crossing

Trading Member Position Limit (TMPL) and / or Client Level Position Limit (CLPL), whether the security is under ban / restriction period or not, the clients shall not be allowed to take new/further position in the said security and the clients shall be allowed to trade only to decrease his/ her / its position through offsetting positions in the said security till the Trading Member Position Limit (TMPL) and / or Client Level Position Limit (CLPL) comes within the permissible trading limit in the said security. UPSTOX SECURITIES PVT. LTD. may from time to time impose and vary limits / margins requirement on the orders that the client can place through the stockbroker's trading system (including exposure/margin limits, turnover limits, limits as to the number, value and/or kind of securities in respect of which orders can be placed etc.). The client is aware and agrees that UPSTOX SECURITIES PVT. LTD. may need to vary or reduce the limits or impose new limits urgently on the basis of UPSTOX SECURITIES PVT. LTD.'s risk perception and other factors considered relevant by UPSTOX SECURITIES PVT. LTD. including but not limited to limits on account of Exchange /SEBI directions / limits (such as broker level / market level limits in security specific /volume specific exposures etc.) and UPSTOX SECURITIES PVT. LTD. may be unable to inform the client of such variation, reduction or imposition in advance. The client agrees that UPSTOX SECURITIES PVT. LTD. shall not be responsible for such variation, reduction or imposition or the client's inability to route any order through UPSTOX SECURITIES PVT. LTD.'s trading system on account of any such variation, reduction or imposition of limits. The client further agrees that UPSTOX SECURITIES PVT. LTD. may at anytime, at its sole discretion and without prior notice prohibit or restrict the client's ability to place orders or trade in securities through UPSTOX SECURITIES PVT. LTD. or it may subject any order placed by the client to a review before its entry into the trading systems and may refuse to execute / allow execution of orders due to but not limited to the reason of lack of margin / securities or the order being outside the limits set by UPSTOX SECURITIES PVT. LTD. / exchange / SEBI and any other reasons which UPSTOX SECURITIES PVT. LTD. may deem appropriate in the circumstances. The client agrees that the losses, if any on account of such refusal, or due to delay caused by such review, shall be borne exclusively by the client alone.

UPSTOX SECURITIES PVT. LTD. is required only to communicate / advise the parameters for the calculation of the margin / security requirements as rate(s) / percentage(s) of the dealings and/or as SPAN requirement, through any one or more approved means or methods such as post /speed post / courier / registered post / registered A.D / facsimile / cable / e-mail / voice mails / telephone (telephone includes such devices as mobile phones etc.) including SMS on the mobile phone or any other similar device; by messaging on the computer screen of the client's computer; by informing the client through employees / agents of UPSTOX SECURITIES PVT. LTD.; by publishing / displaying it on the website of UPSTOX SECURITIES PVT. LTD. /making it available as a download from the website of UPSTOX SECURITIES PVT. LTD.; by displaying it on the notice board of the branch/office through which the client trades or if the circumstances, so require, by radio broadcast/television broadcast/ newspapers advertisements etc.; or any other approved mode or manner. The client agrees that the postal department /the courier company and the e-mail/voice mail service provider and such other service providers shall be the agent of the client and the dispatch shall be complete when communication is given to the postal department / the courier company / the e-mail /voice mail service provider, etc. by UPSTOX SECURITIES PVT. LTD. once parameters for margin /security requirements are so communicated, the client shall monitor his / her / its position (dealings / trades and valuation of security) on his / her / its own and provide the required / deficit margin / security forthwith as required from time to time. The client is not entitled to trade without adequate margin / security and that it shall ascertain beforehand the margin / security requirements for his / her/its orders / trades /deals and to ensure that the required margin / security is made available to UPSTOX SECURITIES PVT. LTD. in such form and manner as may be required by UPSTOX SECURITIES PVT. LTD. If the client's order is executed despite a shortfall in the available

margin, the client, shall, whether or not UPSTOX SECURITIES PVT. LTD. intimates such shortfall in the margin to the client, make up the shortfall suo moto immediately. The client further agrees that he /she / it shall be responsible for all orders (including any orders that may be executed without the required margin in the client's account) & / or any claim / loss /damage arising out of the non-availability /shortage of margin /security required by UPSTOX SECURITIES PVT. LTD. & / or exchange & / or SEBI. UPSTOX SECURITIES PVT. LTD. is entitled to vary the form and manner (i.e., the replacement of the margin / security in one form with the margin / security in any other form, say, in the form of money instead of shares) & / or quantum & or percentage of the margin & / or security required to be deposited /made available, from time to time. The margin / security deposited by the client with UPSTOX SECURITIES PVT. LTD. are not eligible for any interest. UPSTOX SECURITIES PVT. LTD. is entitled to include / appropriate any / all pay out of funds & or securities towards margin / security without requiring specific authorizations for each payout. UPSTOX SECURITIES PVT. LTD. is entitled to transfer funds &/ or securities from his account for one exchange & /or one segment of the exchange to his / her /its account for another exchange & /or another segment of the same exchange whenever applicable and found necessary by UPSTOX SECURITIES PVT. LTD. The client also agrees and authorizes UPSTOX SECURITIES PVT. LTD. to treat/adjust his/her/its margin/security lying in one exchange &/or one segment of the exchange/towards the margin/ security / pay in requirements of another exchange & / or another segment of the exchange. UPSTOX SECURITIES PVT. LTD. is entitled to withhold the securities received from the exchange as payout if there is a negative ledger balance in the client's account. Such withheld securities will be released to the clients demat accounts as per UPSTOX SECURITIES PVT. LTD. policies which will be available on UPSTOX SECURITIES PVT. LTD.'s website and will be communicated to clients on a best effort basis. UPSTOX SECURITIES PVT. LTD. is entitled to disable / freeze the account & / or trading facility / any other service facility, if, in the opinion of UPSTOX SECURITIES PVT. LTD. , the client has committed a crime / fraud or has acted in contradiction / violation of any laws, rules, regulations, directions etc. of a lawful authority whether Indian or foreign or if UPSTOX SECURITIES PVT. LTD. so apprehends.

#### **APPLICABLE BROKERAGE RATES**

UPSTOX SECURITIES PVT. LTD. is entitled to charge brokerage within the limits imposed by exchanges from time to time.

The brokerage to be charged by UPSTOX SECURITIES PVT. LTD. shall be exclusive of all statutory levies such as services Tax, Stamp duty, SEBI turnover fees, Securities Transaction Tax and other taxes as they exist from time to time and as they apply to the account and transactions of the Clients and for the services rendered to the Clients. Any revision in the brokerage will be made only after giving 30 days' notice via a written email and update on the website. In order to provide competitive advantage and scale of economy and operations to the clients, UPSTOX SECURITIES PVT. LTD. will provide new / innovative and economical Brokerage Rate Structure at a rate as mentioned / made available on the Website / portal of UPSTOX SECURITIES PVT. LTD. intimated in writing and as may be mutually agreed and modified from time to time. It shall however be ensured that the Brokerage shall not exceed the maximum permissible under the applicable regulations.

#### **IMPOSITION OF PENALTY / DELAYED PAYMENT CHARGES**

The client agrees that any amounts which are overdue from the client towards trading or on account of any other reason (including shortfall in margin requirement or margin provided in form of collateral in lieu of cash margin) to UPSTOX SECURITIES PVT. LTD. will be charged with delayed payment charges / penalty @ 2% per month or part thereof. The client agrees that UPSTOX SECURITIES PVT. LTD. may impose fines / penalties for any orders /trades / deals / actions of the client which are contrary to the rules / regulations / bye laws of the exchange or any other law for the time being in force, at such rates and in such form as it may deem fit. Further where UPSTOX SECURITIES PVT. LTD. has to pay any fine or bear any punishment from any authority in connection with / as a consequence of / in relation to any of the orders / trades / deals / actions of the client, the same shall be borne by the client. The client agrees to pay to UPSTOX SECURITIES PVT. LTD. brokerage, commission, fees, all taxes, duties levies imposed by any authority including but not limited to the stock exchanges (including any amount due on account

of reassessment / backlogs etc.), transaction expenses as they apply from time to time to the client's account/ transactions/ services that the client avails from UPSTOX SECURITIES PVT. LTD. UPSTOX SECURITIES PVT. LTD. also retains the right to charge postage, courier etc. expenses to clients for issuing duplicate copies of statements in regard to client's account. The penalty / delayed payment charges imposed by UPSTOX SECURITIES PVT. LTD. shall be debited to the account/ ledger of the clients. Any change / revision in the scale of penalty / delayed payment charges will be informed to the clients in writing through approved means or methods (and with client's consent) such as post / speed post / courier / registered post / registered A.D / facsimile / cable / e-mail / telephone (telephone includes such devices as mobile phones etc.) including SMS on the mobile phone or any other similar device; by messaging on the computer screen of the client's computer; by informing the client through employees / agents of UPSTOX SECURITIES PVT. LTD. and by publishing / displaying it on the website of UPSTOX SECURITIES PVT. LTD. / making it available as a download from the website of UPSTOX SECURITIES PVT. LTD. by displaying it on the notice board of the branch / office through which the client trades or any other suitable or applicable mode or manner.

#### **THE RIGHT TO SELL CLIENTS' SECURITIES OR CLOSE CLIENTS' POSITIONS, WITHOUT GIVING NOTICE TO THE CLIENT, ON ACCOUNT OF NON-PAYMENT OF CLIENT'S DUES LIMITED TO THE EXTENT OF SETTLEMENT MARGIN OBLIGATION**

The client is required to pay adequate margin / pay-in obligations in full and the clients shall ascertain in advance the margin / pay-in obligations requirement for its order/ trades/ deals and to ensure that the required margin / pay-in obligations is made available to UPSTOX SECURITIES PVT. LTD. in such form and such manner as may be required by UPSTOX SECURITIES PVT. LTD. from time to time. If the client's order is executed despite a shortfall in the available margin, the client shall, whether or not UPSTOX SECURITIES PVT. LTD. intimates such shortfall to the client, make up for the shortfall suo-motuo immediately.

The client shall be responsible for all orders (including any orders that may be executed without the required margin in the client's account) and/or any claim/ loss/damage arising out of the non-availability/ shortage of margin / pay-in obligations required by UPSTOX SECURITIES PVT. LTD. and/or by Exchange. The client shall fulfill all its obligations / liabilities / dues to UPSTOX SECURITIES PVT. LTD., failing which UPSTOX SECURITIES PVT. LTD. has the right not the obligation to square up all or any outstanding position and / or take offsetting positions and / or sell the margin / securities available with UPSTOX SECURITIES PVT. LTD. without giving any notice to the client. UPSTOX SECURITIES PVT. LTD. may also square up all or any outstanding position and / or sell the securities/collateral available with UPSTOX SECURITIES PVT. LTD. as a part of risk management at any time by giving notice to the client. In case of purchase on behalf of client, the UPSTOX SECURITIES PVT. LTD. may close out its transactions by selling securities, in case the Client fails to make full payment to UPSTOX SECURITIES PVT. LTD. for the same before the time intimated by UPSTOX SECURITIES PVT. LTD. In case of sale on behalf of client, the UPSTOX SECURITIES PVT. LTD. may close out its transaction by purchasing the securities. The client shall be liable for any losses, costs and be entitled to any surplus, which may result from the above.

## **CONDITIONS UNDER WHICH A CLIENT MAY NOT BE ALLOWED TO TAKE FURTHER POSITION OR THE BROKER MAY CLOSE THE EXISTING POSITION OF A CLIENT**

UPSTOX SECURITIES PVT. LTD. has margin based RMS system; client may take exposure up to the amount of margin available with us and/or collaterals pledged with us. Client may not be allowed to take position in case of non-availability / shortage of margin as per RMS policy of UPSTOX SECURITIES PVT. LTD. The existing position of the client and/or shares pledged with us as collateral are also liable to be squared off / closed out without giving notice due to shortage of margin / non making of payment for their pay in obligation / outstanding debts. UPSTOX SECURITIES PVT. LTD. will have the right to close out all open positions and/or sell client's securities and/ or shares pledged with us as collateral, as and when the client defaults in his settlement/sale delivery/margin/MTM obligations in any segment of the exchanges. The close out/ selling will be only to extent of shortages in Margins, MTM or settlement obligations on all segments of exchange(s). In case the payment of the margin / security is made by the client through a bank instrument, UPSTOX SECURITIES PVT. LTD. shall be at liberty to give the benefit / credit for the same only on the realization of the funds from the said bank instrument etc. at the absolute discretion of UPSTOX SECURITIES PVT. LTD. Where the margin / security is made available by way of securities or any other approved collateral, UPSTOX SECURITIES PVT. LTD. is empowered to decline its acceptance as margin / security & / or to accept it at such reduced value as UPSTOX SECURITIES PVT. LTD. may deem fit by applying haircuts atleast at the rate prescribed by the exchange or by valuing it by marking it to market or by any other approved method as UPSTOX SECURITIES PVT. LTD. may deem fit in its absolute discretion. Usage of Collateral at discretion of broker UPSTOX SECURITIES PVT. LTD. retains the right to adjust at such rate as prescribed by the exchange or such higher rate as deemed fit the Collateral deposited by the Client against his / her / its settlement / margin obligation. The client shall ensure replenishment of Collateral on account of diminution of values of Collaterals on account of non-cash corporate action initiated by the concerned company whose securities are deposited by the client with UPSTOX SECURITIES PVT. LTD. as Collateral. In the event of diminution of values of Collaterals, UPSTOX SECURITIES PVT. LTD. has the right but not the obligation to square off / close outs the open position of the Client. UPSTOX SECURITIES PVT. LTD. will have sole discretion to decide referred stipulated margin percentage depending upon the market condition. In the event of such square off, the client agrees to bear all the losses based on actual executed prices. In case of open position (i.e. short / long) gets converted into delivery due to non 'square off because of any reason whatsoever, the client agrees to provide securities / funds to fulfill the pay-in obligation failing which the client will have to face auction or internal close out; in addition to this the client will have to pay penalties and charges levied by exchange in actual and losses, if any. Without prejudice to the foregoing, the client shall also be solely liable for all, and any penalties and charges levied by the exchange(s). UPSTOX SECURITIES PVT. LTD. is entitled to prescribe the date and time by which the margin / security is to be made available and UPSTOX SECURITIES PVT. LTD. may refuse to accept any payments in any form after such deadline for margin / security expires. If the client fails to maintain or provide the required margin / fund / security or to meet the funds / margins / securities pay in obligations for the orders / trades / deals of the client within the prescribed time and form, UPSTOX SECURITIES PVT. LTD. shall have the right without any further notice or communication to the client to take any one or more of the following steps:

- a) To withhold any payout of funds / securities.
- b) To withhold / disable the trading / dealing facility to the client.
- c) To liquidate one or more security(ies) of the client by selling the same in such manner and at such rate which UPSTOX SECURITIES PVT. LTD. may deem fit in its absolute discretion. It is agreed and understood by the client that securities here includes securities which are pending delivery receipt.

- d) To liquidate / square off partially or fully the position of sale & / or purchase in any one or more securities / contracts in such manner and at such rate which UPSTOX SECURITIES PVT. LTD. may decide in its absolute discretion.
- e) To take any other steps (including liquidation of client collateral, in any form) which in the given circumstances, UPSTOX SECURITIES PVT. LTD. may deem fit. The client agrees that the loss(s) if any, on account of any one or more steps as enumerated herein above being taken by UPSTOX SECURITIES PVT. LTD. shall be borne exclusively by the client alone.

#### **SHORTAGES IN OBLIGATIONS ARISING OUT OF INTERNAL NETTING OF TRADES**

UPSTOX SECURITIES PVT. LTD. shall not be obliged to deliver any securities or pay any money to the client unless and until the same has been received by UPSTOX SECURITIES PVT. LTD. from the exchange, the clearing corporation /clearing house or other company or entity liable to make the payment and the client has fulfilled his / her /its obligations first. The policy and procedure for settlement of shortages in obligations arising out of internal netting of trades is as under: The short delivering client is debited by an amount equivalent T day's closing rate on T+1. The securities delivered short are purchased from market on T+1 day which is the Auction Day on Exchange, and the purchase consideration (inclusive of all statutory taxes & levies) is debited to the short delivering seller client along with reversal entry of provisionally amount debited earlier. (Please note that process for handling of internal shortages may be changed by the broker at its discretion with prior notice of 15 days as per agreed mode of communication which may also be published on the website of UPSTOX SECURITIES PVT. LTD.).

#### **TEMPORARILY SUSPENDING OR CLOSING A CLIENT'S ACCOUNT AT THE CLIENT'S REQUEST**

On the written request of the client, the client account can be suspended temporarily and can be re-activated on the written request of the client only. During the suspension period, the market transaction will be prohibited. However, client's pending settlement can take place. UPSTOX SECURITIES PVT. LTD. can withhold the payouts of client and suspend his trading account due to surveillance action or judicial or / and regulatory order/action requiring client suspension.

On the written request of the client, the client account can be closed provided the client adheres to formalities for account closure including settlement of all dues in the account and closing of all open positions. If the client wishes to again open a broking account, then the client shall have to complete the KYC and account opening formalities once again.

#### **DEREGISTERING A CLIENT**

UPSTOX SECURITIES PVT. LTD. may terminate the trading account of the client in any of the following circumstances:

- a) If the action of the Client are prima facie illegal / improper or such as to manipulate the price of any securities or disturb the normal / proper functioning of the market, either alone or in conjunction with others. If there is any commencement of a legal process against the Client under any law in force;
- b) If the Client has found to be of unsound mind or of other disability by a competent authority and the findings in force.
- c) If the Client has been convicted by a Court of any offence involving moral turpitude.
- d) On the death of the Client.

- e) If a receiver, administrator or liquidator has been appointed or allowed to be appointed for the Client.
- f) If the client being declared a defaulter by any of the regulatory bodies of the country or under any law being in force or In the event UPSTOX SECURITIES PVT. LTD. becoming aware of any proceedings being initiated against the client by any of the regulatory bodies of the country or under any law being in force or the client being involved in any criminal proceedings or any illegal business or the member becoming aware of the client's past offences which are illegal or prohibited by the regulatory bodies of the country or under any law being in force.
- g) On the specific written directions of any statutory/ legal authority/Regulatory Authority.
- h) If the Client becomes un-discharged insolvent or applies to be adjudicated as an insolvent.
- i) If the Client have taken or suffered to be taken any action for its reorganization, liquidation or dissolution;
- j) If the Client has made any material misrepresentation of facts, including (without limitation) in relation to the Security; If there is reasonable apprehension that the Client is unable to pay its lawful debts or the Client has admitted its inability to pay its lawful debts, as they become payable.

### **POLICY FOR DORMANT ACCOUNTS**

A Trading Account (irrespective whether having debit or credit balance) shall be classified as dormant account in case there are no transactions for a period of 12 (Twelve) calendar months from the last transaction date. The Dormant Accounts shall be frozen for further transaction(s). Transactions here mean any of the following:

- a) No purchase or sale transaction in the Cash Segment of NSE & BSE.
- b) No purchase or sale transaction in the Derivative segment of NSE & BSE.
- c) No purchase or sale transaction in the currency the written request of the client only. During suspension period, the market transaction will be prohibited. However, client's pending settlement can take place. UPSTOX SECURITIES PVT. LTD. can withhold the payouts of a client and suspend his trading account due to surveillance action or judicial or / and regulatory order/action requiring client suspension.

On the written request of the client, the client account can be closed provided the client adheres to formalities for account closure including settlement of all dues in the account and closing of all open positions. If the client wishes to again open a broking account, then the client shall have to complete the KYC and account opening formalities once again.