



symbol of trust

## **JK Securities Private Limited**

# Supplementary Booklet

FOR MANDATORY DOCUMENTS AS PRESCRIBED BY SEBI & EXCHANGES

#### **Members**

NSE (National Stock Exchange of India Limited)  
BSE (Bombay Stock Exchange of India Limited)  
MSEI (Metropolitan Stock Exchange of India Limited)  
MCX (Multi Commodity Exchange of India Limited)  
NCDEX (National Commodity & Derivatives Exchange Limited)

#### **Depository Participant**

NSDL (National Securities Depository Limited)  
DP ID : IN300636, IN300999, IN302381 (NSDL)  
CIN : U27204GJ1995PTC025974

#### **SEBI Registration No.**

INZ000174537

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# Rights and Obligations of Beneficial Owner and Depository Participant as prescribed by SEBI and Depository

**MANDATORY**

## General Clause

**01.** The Beneficial Owner and the Depository Participant (DP) shall be bound by the provisions of the Depositories Act, 1996, SEBI (Depositories and Participants) Regulations, 1996, Rules and Regulations of Securities and Exchange Board of India (SEBI), Circulars/ Notifications/ Guidelines issued there under, Bye Laws and Business Rules/ Operating Instructions issued by the Depositories and relevant notifications of Government Authorities as may be in force from time to time.

**02.** The DP shall open/activate demat account of a beneficial owner in the depository system only after receipt of complete Account opening form, KYC and supporting documents as specified by SEBI from time to time.

## Beneficial Owner information

**03.** The DP shall maintain all the details of the beneficial owner(s) as mentioned in the account opening form, supporting documents submitted by them and/ or any other information pertaining to the beneficial owner confidentially and shall not disclose the same to any person except as required by any statutory, legal or regulatory authority in this regard.

**04.** The Beneficial Owner shall immediately notify the DP in writing, if there is any change in details provided in the account opening form as submitted to the DP at the time of opening the demat account or furnished to the DP from time to time.

## Fees/ Charges/ Tariff

**05.** The Beneficial Owner shall pay such charges to the DP for the purpose of holding and transfer of securities in dematerialized form and for availing depository services as may be agreed to from time to time between the DP and the Beneficial Owner as set out in the Tariff Sheet provided by the DP. It may be informed to the Beneficial Owner that "no charges are

payable for opening of demat accounts"

**06.** In case of Basic Services Demat Accounts, the DP shall adhere to the charge structure as laid down under the relevant SEBI and/ or Depository circulars/ directions/ notifications issued from time to time.

**07.** The DP shall not increase any charges/ tariff agreed upon unless it has given a notice in writing of not less than thirty days to the Beneficial Owner regarding the same.

## Dematerialization

**08.** The Beneficial Owner shall have the right to get the securities, which have been admitted on the Depositories, dematerialized in the form and manner laid down under the By Laws, Business Rules and Operating Instructions of the depositories.

## Separate Accounts

**09.** The DP shall open separate accounts in the name of each of the beneficial owners and securities of each beneficial owner shall be segregated and shall not be mixed up with the securities of other beneficial owners and/ or DP's own securities held in dematerialized form.

**10.** The DP shall not facilitate the Beneficial Owner to create or permit any pledge and/ or hypothecation or any other interest or encumbrance over all or any of such securities submitted for dematerialization and/ or held in demat account except in the form and manner prescribed in the Depositories Act, 1996, SEBI (Depositories and Participants) Regulations, 1996 and By Laws/ Operating Instructions/ Business Rules of the Depositories.

## Transfer of Securities

**11.** The DP shall effect transfer to and from the demat accounts of the Beneficial Owner only on the basis of an order, instruction, direction or mandate duly authorized by the Beneficial Owner and the DP shall maintain the original documents

and the audit trail of such authorizations.

**12.** The Beneficial Owner reserves the right to give standing instructions with regard to the crediting of securities in his demat account and the DP shall act according to such instructions.

### **Statement of account**

**13.** The DP shall provide statements of accounts to the beneficial owner in such form and manner and at such time as agreed with the Beneficial Owner and as specified by SEBI/ depository in this regard.

**14.** However, if there is no transaction in the demat account, or if the balance has become Nil during the year, the DP shall send one physical statement of holding annually to such BOs and shall resume sending the transaction statement as and when there is a transaction in the account.

**15.** The DP may provide the services of issuing the statement of demat accounts in an electronic mode if the Beneficial Owner so desires. The DP will furnish to the Beneficial Owner the statement of demat accounts under its digital signature, as governed under the Information Technology Act, 2000. However if the DP does not have the facility of providing the statement of demat account in the electronic mode, then the Participant shall be obliged to forward the statement of demat accounts in physical form.

**16.** In case of Basic Services Demat Accounts, the DP shall send the transaction statements as mandated by SEBI and/or Depository from time to time.

### **Manner of Closure of Demat account**

**17.** The DP shall have the right to close the demat account of the Beneficial Owner, for any reasons whatsoever, provided the DP has given a notice in writing of not less than thirty days to the Beneficial Owner as well as to the Depository. Similarly, the Beneficial Owner shall have the right to close his/her demat account held with the DP provided no charges are payable by him/her to the DP. In such an event, the Beneficial

Owner shall specify whether the balances in their demat account should be transferred to another demat account of the Beneficial Owner held with another DP or to rematerialize the security balances held.

**18.** Based on the instructions of the Beneficial Owner, the DP shall initiate the procedure for transferring such security balances or rematerialize such security balances within a period of thirty days as per procedure specified from time to time by the depository. Provided further, closure of demat account shall not affect the rights, liabilities and obligations of either the Beneficial Owner or the DP and shall continue to bind the parties to their satisfactory completion.

### **Default in payment of charges**

**19.** In event of Beneficial Owner committing a default in the payment of any amount provided in Clause 5 & 6 within a period of thirty days from the date of demand, without prejudice to the right of the DP to close the demat account of the Beneficial Owner, the DP may charge interest at a rate as specified by the Depository from time to time for the period of such default.

**20.** In case the Beneficial Owner has failed to make the payment of any of the amounts as provided in Clause 5&6 specified above, the DP after giving two days notice to the Beneficial Owner shall have the right to stop processing of instructions of the Beneficial Owner till such time he makes the payment along with interest, if any.

### **Liability of the Depository**

**21.** As per Section 16 of Depositories Act, 1996,

1. Without prejudice to the provisions of any other law for the time being in force, any loss caused to the beneficial owner due to the negligence of the depository or the participant, the depository shall indemnify such beneficial owner.

2. Where the loss due to the negligence of the participant under Clause (1) above, is indemnified by the depository, the depository shall have the

right to recover the same from such participant.

### **Freezing/ Defreezing of accounts**

22. The Beneficial Owner may exercise the right to freeze/ defreeze his/ her demat account maintained with the DP in accordance with the procedure and subject to the restrictions laid down under the By Laws and Business Rules/ Operating Instructions.

23. The DP or the Depository shall have the right to freeze/defreeze the accounts of the Beneficial Owners on receipt of instructions received from any regulator or court or any statutory authority.

### **Redressal of Investor grievance**

24. The DP shall redress all grievances of the Beneficial Owner against the DP within a period of thirty days from the date of receipt of the complaint.

### **Authorized representative**

25. If the Beneficial Owner is a body corporate or a legal entity, it shall, along with the account opening form, furnish to the DP, a list of officials authorized by it, who shall represent and interact on its behalf with the Participant. Any change in such list including additions, deletions or alterations thereto shall be forthwith communicated to the Participant.

### **Law and Jurisdiction**

26. In addition to the specific rights set out in this document, the DP and the Beneficial owner shall be entitled to exercise any other rights which the DP or the Beneficial Owner may have under the Rules, Bye Laws and Regulations of the respective

Depository in which the demat account is opened and circulars/ notices issued there under or Rules and Regulations of SEBI.

27. The provisions of this document shall always be subject to Government notification, any rules, regulations, guidelines and circulars/notices issued by SEBI and Rules, Regulations and By-laws of the relevant Depository, where the Beneficial Owner maintains his/ her account, that may be in force from time to time.

28. The Beneficial Owner and the DP shall abide by the arbitration and conciliation procedure prescribed under the By-laws of the depository and that such procedure shall be applicable to any disputes between the DP and the Beneficial Owner.

29. Words and expressions which are used in this document but which are not defined herein shall unless the context otherwise requires, have the same meanings as assigned thereto in the Rules, By-laws and Regulations and circulars/ notices issued there under by the depository and/ or SEBI

30. Any changes in the rights and obligations which are specified by SEBI/ Depositories shall also be brought to the notice of the clients at once.

31. If the rights and obligations of the parties hereto are altered by virtue of change in Rules and Regulations of SEBI or By-laws, Rules and Regulations of the relevant Depository, where the Beneficial Owner maintains his/her account, such changes shall be deemed to have been incorporated herein in modification of the rights and obligations of the parties mentioned in this document.

## **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-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-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

### **Additional Rights And Obligations**

**‘Additional Rights And Obligations’** of the Rights and Obligations Document (Annexure-4 of SEBI circular no. CIR/MIRSD/16/2011 dated August 22, 2011) and shall read as under:

“The stock broker / stock broker and depository participant shall not directly / indirectly compel the clients to execute Power of Attorney (PoA) or Demat Debit and Pledge Instruction (DDPI) or deny services to the client if the client refuses to execute PoA or DDPI.”

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.

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## **Internet & Wireless Technology Based Trading Facility by Stock Brokers to Clients**

**(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 whatsoever 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 complex 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.

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:

### 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.

**1.2.1 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.

**1.4.1 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.

**1.4.2 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.

**1.4.3 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.

**1.7.1** 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.

**1.7.2** 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 :**

#### **2.1 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.

## **2.2 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.

## **2.3 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.

## **2.4 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 and 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**

**4.1** 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.

**4.2** 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.

# **Policies and Procedures as per SEBI Circular MRISD/SE/Cir-19/2009 dated December 3, 2009**

**MANDATORY**

## **1. Refusal of orders for Commodity Derivatives**

The client is aware and agrees that the Commodity Broker may refuse or restrict a client in placing the order in certain commodities depending on various conditions like volume / value / part of illiquid commodities although a client may have credit balance or sufficient margin in the trading account. However, Commodity broker under exceptional circumstances may execute client's order. The Commodity Broker has the discretion to reject execution of such orders based on its risk perception.

## **2. Policy for Penny Stock / Securities**

A Security that trades at a relatively low price (generally such securities are trading below face value of the security) and has small market capitalization is a penny stock. These types of stocks are generally considered to be highly speculative & high risk because of their lack of liquidity, large bid-ask spreads, small capitalization and limited following and disclosure.

The Company recommends that its clients desist from trading in any penny stocks in view of the associated risk element while dealing in such stocks. Further, the client is also required to adhere to Exchange/ Members' guidelines and due diligence while trading in such stocks. Also SEBI/Exchange from time to time issues directives necessitating additional due diligence for dealing in such stock(s). Depending on the market condition, applicable regulatory guidelines and applicable risk policy of the Company, the Company at its sole discretion, may impose certain restrictions and/ or conditions (on case to case basis) including but not limited to refusal, wholly or partly, for trading in penny stocks. These restrictions/ conditions include but are not limited to the following :

- restrictions on trading, either wholly or partly, in certain security(ies) or category of

security(ies) contracts viz.

- illiquid stocks / stocks having low liquidity,
- illiquid options / far month options / long dated options,
- securities listed in Z, T, TS, S, B group and/or securities listed in BE, IL, BT or EQ series on NSE,
- any other securities/ contracts which as per the perception of the Company are volatile or subject to market manipulation or has concentration risk at client level or at the Company level,
- acceptance or partial acceptance of an order for buy and/or sell. Such acceptance may require execution in a controlled environment (for e.g. from centralized desk instead of from designated dealing area or electronic platform);
- cancellation of orders of the above securities contracts received from clients before execution or after partial execution without assigning any reasons thereof;
- Requirement to obtain appropriate declarations from the client before/after accepting such orders.

The Company shall :

- not be responsible for non-execution / delay in execution of such orders and consequential opportunity loss or financial loss to the client
  - have the discretion 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 the Company itself;
  - have the right to revise the list of such securities/contracts on a periodic basis.
- Client can obtain the information about the updated list of securities from the Relationship Manager / Dealing office 100% margin will be taken from the client and these shares will not be taken to as Margin deposit.
- May require compulsory settlement/advance payment of expected settlement value/ delivery of securities for settlement prior to

acceptance/placement of order(s) as well, the order being for securities which are not in the permitted list of the stock broker/exchange(s) as assessed by the Broker

### **3. Setting up client's exposure limits**

Margin based limit/exposures will be set for clients for transacting in Cash, F&O and Commodity segment. While computing the available margin, clear credit lying in client's settlement and margin ledger, securities held in client's beneficiary account with Member may be considered.

Margin can be paid in form of cash and approved collateral. Collateral will be valued on daily basis at latest/previous day's closing price and appropriate hair-cut shall be applicable. List of approved collaterals /securities along with applicable haircut, is subject to revision from time to time based on Exchange approved list, market volatility, quality of collateral and internal guidelines; and same can be obtained from the Relationship Manager/Dealing Office.

JK Securities Pvt. Ltd may from time to time impose & vary limits on the orders that the client can place through the Stock Broker's/Member's trading system (including exposure limits, turnover limits, limits as to the number, value and/or kind of securities in respect of which orders can be placed etc.).

JK Securities Pvt. Ltd. may need to vary or reduce the limits or impose new limits urgently on the basis of the Stock Broker's/ Member's risk perception and other factors considered relevant by the Stock Broker /Member including but not limited to client's trade history / experience, if available, client's financial capacity and / or credit worthiness limits on account of the Exchange/SEBI directions/limits (such as broker level/market level limits in security specific/volume specific exposures etc.) and JK Securities Pvt. Ltd. may be unable to inform the client of such variation, reduction or imposition or the clients inability to route any order through the Stock Broker's/Member's trading system on account of any such variation, reduction or imposition of limits.

The client further agrees that JK Securities

Pvt. Ltd. may at any time, at its sole discretion and without prior notice, prohibit or restrict the client's ability to place orders or trade in securities/commodities through JK Securities Pvt. Ltd., or it may subject any order placed by the client to 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 Stock Broker / Exchange / SEBI and any other reasons which JK Securities Pvt. Ltd. may deem appropriate in the circumstances. Sometimes client's sauda go to IOC (immediate or cancel) instead of normal trading if broker terminals is on square off mode.

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.

### **4. Policy on Brokerage Rate and Other Charges**

- Brokerage shall be applied as per the rates agreed upon with the client in the KYC at the time of registration of the client through a mentioned document between the client and JKSP.

- The brokerage charged to the clients will not be more than the maximum brokerage permissible as per the rules, regulations and bye-laws of the relevant Exchange / SEBI.

- In consideration of providing broking services, the client agrees to pay to JK Securities Pvt. Ltd., brokerage and statutory levies as are prevailing from time to time and as they apply to the client's account, transactions and to the stock broking services that Stock Broker/Member renders to the client.

- The brokerage and other charges (including taxes thereon) shall be communicated to the client at the time of registration and any variation thereon would be mutually agreed from time to time.

- A schedule of fee and commission, applicable service taxes and other transaction expenses shall also be provided to the client from time to time, upon request.

- The client is aware that any request for

change in the Brokerage Rate has be to sent in writing to branch who in turn will forward the request to the Head Office of JK Securities Private Limited.

Acceptance/Rejection of such request is at the discretion of JK Securities Private Limited. All the above charges and levies debited to clients would be mentioned in the contract note sent to client.

### **5. Imposition of penalty / delayed payment charges**

As per the Exposure Limit section outlined earlier in the document, client shall maintain adequate margin / settle the obligation / top-up the margin by scheduled date. In case client fails to settle the dues in time, the Company reserves its right to levy late pay in / delayed payment charges at 21% p.a. calculated on daily basis on shortfall amount till the date of actual realization of money. for not making payment of their pay-in / margin obligation on time as per the Exchange requirement / schedule and

The above levy is only a penal measure in case of a client default in meeting settlement and margin obligation and should not be construed as funding arrangement by the client; and the client cannot demand continuation of service on a permanent basis citing levy of delayed payment charges.

Further all fines/penalties and charges levied upon the client due to its acts/deeds or transactions will be recovered by the stock broker directly from the clients accounts.

The client agrees that JK Securities Pvt. Ltd. may impose fines/penalties for any orders/trades/deals/ actions of the client which are contrary to the Client Registration documents / Rights and Obligations document/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 JK 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.

JK Securities Pvt. Ltd. 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 or collaterals at his discretion, subject to surplus margin in place. JK Securities Pvt. Ltd. shall not pay any interest or other benefit to the client for maintaining cash balances or depositing collateral margins with the Stock Broker/Member except for the corporate benefit received on such collateral securities, if any.

### **6. Liquidation Policy**

(The right to sell client's securities or close client's positions, without giving notice to the client, on account of non-payment of clients dues)

Without prejudice to the Stock Broker's/Member's other rights (including the right to refer the matter to arbitration), the client agrees and confirm that JK Securities Pvt. Ltd. shall be entitled to liquidate/sell client's securities/ positions/ contracts , both unpaid securities as well as collateral deposited towards margin or securities previously purchased by the client or close out all or any of the clients open positions/ contracts without giving notice to the client for non-payment of margins or other lawful amounts including the pay in obligation ,lawful outstanding debts, etc -within 5 trading days from the trade day i.e T+5- to the extent of client's settlement/margin obligation only. The liquidation so done will be on LIFO method. The proceeds of such liquidation/close out, if any, would be adjusted against the clients liabilities/lawful obligations. The client would be required to make good the shortfall, if any post liquidation, immediately on being intimated of the same by JK Securities Pvt. Ltd..

The client shall ensure timely availability of funds/ securities in form and manner at a designated time and in designated bank and depository accounts(s), for meeting his/her/its pay in obligation of funds and securities. Any and all losses and \_financial charges on account of such liquidations/ closing out shall be charged to & borne by

the client. In case of securities lying in a client margin account/client beneficiary account and having corporate actions like bonus/stock split, the benefit of the same for margin or other purpose will be given when the shares are actually received in the Stock Broker's designated depository account. In case the payment of the margin, settlement obligation is made by the client through a bank instrument, JK 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. Where the margin is made available by way of securities JK Securities Pvt. Ltd. is empowered to decline its acceptance as margin and/ or to accept it at such reduced value as JK Securities Pvt. Ltd. may deem fit by applying haircuts or by valuing it by marking it to market or by any other approved method as JK Securities Pvt. Ltd. may deem fit in its absolute discretion. JK Securities Pvt. Ltd. has the right but not the obligation, to cancel all pending orders and to sell/ close/ liquidate all open positions/ securities/shares at the pre-defined square off time or when Mark to Market (M-T-M) percentage reaches or crosses stipulated margin percentage, whichever is earlier. JK Securities Pvt. Ltd. will have sole discretion to decide the 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, the client shall also be solely liable for all and any penalties and charges levied by the Exchange(s).

## **7. Close out in case of internal shortage**

The client hereby agrees that if he/she/it has short delivered any securities/commodities against his/her/ its pay-in obligation which resulted in internal shortages i.e. buy position of another client of JK Securities Pvt. Ltd. and could not be auctioned in the market then close out price will be higher of the trade day's closing rate or 10% above the closing price on settlement (pay-in pay-out) day or such other percentage (%) as may be revised by the Stock Broker /Member from

time to time.

The internal close out policy for handling internal shortage in Commodities is in line with the Exchange Policy for handling shortage at Exchange level.

Any changes in this policy will be updated on JK Securities website from time to time.

## **8. Conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client.**

JK Securities Pvt. Ltd. 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 Stock Broker/Exchange/SEBI and any other reasons which JK Securities Pvt. Ltd. may deem appropriate in the circumstances.

**A.** For nonpayment or erosion of margins or other amounts, lawful outstanding debits etc. and adjust the proceeds of such liquidation/closeout, if any, against the client's liabilities/ lawful obligations.

**B.** Any order which is executed without the required margin in the Client's account or the broker exposure is more than 90% and above so no fresh trade will be taken.

**C.** The client hereby authorizes the Stock Broker/ Member to square up all his outstanding positions at the discretion of JK Securities Pvt. Ltd. which are non marked for delivery 15 minutes before the closing time of normal market or if the client's margin is evaporated by 90% in any of exchanges/JK Securities Pvt. Ltd. reserves the right to square off positions by giving adequate notice to the client.

**D.** 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 sell side, or if trading is halted in a security due to any action on account of unusual trading activity or stock hitting circuit filter or for any other reason as prescribed or instructed by SEBI.

**E.** JK Securities Pvt. Ltd. is entitled to disabled/ freeze the account or trading facility/any other service if, in the opinion of

the stock broker, the client has committed a crime, fraud or has acted in contradiction of this client registration documents or/ evade/ violate any loss rules regulations directions of a lawful authority whether Indian or foreign or if JK Securities Pvt. Ltd. so apprehends.

**F.** Any profit/loss arising out of this transactions shall be at the risk of and borne by the client.

### **9. Temporarily suspending or closing a client's account at the client's request**

The client account can be suspended temporarily, on receipt of specific formal communication from the client. During the period the client account is suspended, the market transaction in the client account will be prohibited. However, at the time of making such request, the client has to ensure that the trading account has been duly settled (both for securities as well as funds). JK Securities Pvt. Ltd. shall also settle the funds and securities due to client, if any, within such period as prescribed by exchange for settlement of account. Such accounts shall be re-activated and any new requests for orders to trade shall be accepted from such clients only on receipt of formal communication from the client requesting re-activation of account in order to enable the client to trade along with completion of all required formalities of KYC including updation thereof, if necessary.

The account may be suspended on following condition also

- On notices received from statutory, Government or Local authorities and Income Tax, Service Tax, a Judicial or a Quasi Judicial authority, etc.

- Where a client is reported to or known to have expired. The client shall be entitled to close his trading account and terminate the client registration documents/ relationship under the Rights and Obligations prescribed by SEBI which has been entered into between the client and JK Securities Pvt. Ltd. by giving 30 days notice (in case of termination) without giving any reasons to the Member. Notwithstanding any such termination, all rights, liabilities and

obligations of the client arising out of or in respect of transactions entered into prior to the termination shall continue to subsist and vest in/be binding on the client.

At the time of making such request, the client has to ensure that all the open positions, if any, taken by the client are closed and the trading account has been duly settled (both for securities as well as funds). JK Securities Pvt. Ltd. shall settle the funds and securities due to client, if any, latest within a period of seven days from the date of closure of such account.

If the client wants to re-open the account, the client has to complete the applicable client registration process including due completion of applicable Know Your Customer ("KYC") requirement.

### **10. De-registering a client**

JK Securities Pvt. Ltd. shall be entitled to close a client's trading account and terminate the Member-Client registration documents/ Relationship under the rights and obligations prescribed by SEBI without giving any reasons to the client, after giving formal notice in writing of not less than one month to the client. The account shall be deemed to have been closed effective 30th day from the date of receipt of such termination notice by the client.

Notwithstanding any such termination, all rights, liabilities and obligations of both, the client and the Member, arising out of or in respect of transactions entered into prior to the termination shall continue to subsist and vest in/be binding on both, the client and JK Securities Pvt. Ltd..

The client has to ensure that all the open positions, if any, taken by the client are closed and the trading account has been duly settled (both for securities as well as funds). JK Securities Pvt. Ltd. shall settle the funds and securities due to client, if any, latest within a period of seven days from the date of closure of such account.

JK Securities Pvt. Ltd. recommends the client not to undertake any further trading during the notice period and any trades of urgent nature would be undertaken by JK Securities Pvt. Ltd. against receipt of funds and/or



securities prior to execution of such orders. Notwithstanding anything to the contrary stated above or in the Client Registration Documents/Rights and Obligations Document, JK Securities Pvt. Ltd. shall be entitled to terminate the relationship under Rights and Obligations prescribed by SEBI/Client Registration Documents with immediate effect in any of the following circumstances:

- If the actions 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 or the client is banned from accessing financial markets by any regulatory or any such adverse orders is passed against the client;
- On the death/lunacy or other disability of the client;
- If the client being a partnership firm, has any steps taken by the client and/or its partners for dissolution of the partnership;
- If the client suffers any adverse material change in his/her/its financial position or defaults in any other client registration documents with JK Securities Pvt. Ltd.;
- If there is reasonable apprehension that the client is unable to pay its debts or the client has admitted its inability to pay its debts as they become payable;
- If the client is in breach of any term, condition or covenant of JK Securities Pvt. Ltd. Client Registration Documents/Rights & Obligations Document;
- If the client has made any material misrepresentation of facts or if any covenant or warranty of the client is incorrect or untrue in any material respect;

#### **11. Treatment of inactive accounts**

In case the Trading account of the client is not operated by the client for a continuous period of one year the same will be considered to be 'Inactive Account'. Such Inactive Account may be reactivated for

trading or receipt of application for re-activation from the client along with necessary supporting documents. JK Securities Pvt. Ltd. employee may carry out 'In-Person' Verification of the Inactive Client and shall validate the supporting documents submitted by the client with the originals.

#### **12. Client's acceptance of policies and procedures stated herein above**

I/We have thoroughly read and fully understood the same and do hereby sign and agree not to call into question the validity, enforceability and applicability or any provision/clause of this document under any circumstances what so ever. This policies may be amended/changed unilaterally by JK Securities Pvt. Ltd. provided the change is informed to me/us through any one or more means/methods such as post/speed post/ courier/ registered post/ registered ad/ facsimile/ telegram/ email/ voice mail/ telephone (telephone includes such devices as mobile phone etc.) including SMS on the mobile phone or any other similar device/ by messaging on the computer screen of the client's computer/ informing the client through the employee/ agent/ sub brokers/ authorised person of JK Securities Pvt. Ltd./ by publishing or displaying it on the website of JK Securities Pvt. Ltd./ broadcast/ newspaper advertisement etc. or any other suitable or applicable mode or manner. I/We agree that the delivery shall be complete when communication is given to the postal department/ courier company/ the email/ voice mail/ SMS service provider etc./ when displayed on JK Securities Pvt. Ltd.'s website by JK Securities Pvt. Ltd. and I/we agree to abide by the same. These policies and procedures always be read along with other provisions of the KYC mandatory documents and shall compulsarily refer to while deciding any disputes/ differences or claim between me/us and JK Securities Pvt. Ltd. before any court of law/ arbitrary or mediator/ judicial/ adjudicating authority etc.



## **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.exchange.com](http://www.exchange.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 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/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 e-mail ID of the grievance redressal division/compliance officer exclusively for the purpose of registering complaints.

**JK Securities Private Limited**

DP ID – IN 300636 / IN300999 / IN302381

Opp. People's Bank Park, Sardargunj Road, Anand 388 001

T : +91 2692 225037/38 F : +91 2692 240383

**DP COPY**

W.E.F : 01/06/2019

Schedule 'A'

**Charges : (for Beneficial Owner)**

Charge Type			<input type="checkbox"/> BSDA
Account Opening/ Closing/ Custody Charge	NIL	NIL	NIL
Annual Maintenance Charge	<input type="checkbox"/> ₹ 30,000 Non BSDA 10 yrs AMC without e-communication with Margin. AMC ₹ 1,500	<input type="checkbox"/> ₹ 25,000 Non BSDA 10 yrs AMC with e-communication with Margin. AMC ₹ 1,000	NIL - Value of holding is up to ₹ 50,000
	<input type="checkbox"/> ₹ 3,000 Non BSDA 10 yrs AMC without e-communication without Margin.	<input type="checkbox"/> ₹ 2,000 Non BSDA 10 yrs AMC with e-communication without Margin.	₹ 100 - Value of holding is from ₹ 50,001 - ₹ 2,00,000
	<input type="checkbox"/> ₹ 500 Non BSDA per annum without e-communication	<input type="checkbox"/> ₹ 350 Non BSDA per annum with e-communication	₹ 350 or ₹ 500 - Value of holding is above ₹ 2,00,000
	<input type="checkbox"/> ₹ 15,000 Non BSDA 10 yrs AMC with e-communication with Margin AMC ₹ 1,500 + GST ₹ 270 + Trading ₹ 13,230		
AMC for Corporate Account	₹ 1,500per annum.		
DeMat/ MF Conversion	₹ 10 per certificate + ₹ 50 Postal Charges (Payable upfront).		
ReMat Charge	₹ 30 per certificate + ₹ 50 Postal Charges + NSDL Charges.		
Transaction Charge Buy Market Transfer	NIL		

<b>Sell Market Transfer</b>	₹ 18 per transaction for clients trading through JK Securities Private Limited.		
	Non BSDA (Payable up front) ₹ 30 per transaction or 0.04% of value of transaction, whichever is higher for client trading through other brokers	BSDA (Payable up front) ₹ 100 per transaction or 0.04% of value of transaction, whichever is higher for client trading through other brokers	
<b>Off Market Transfer Receipt</b>	NIL		
<b>Debit (Payable Upfront)</b>	₹ 18 per transaction or 0.02% of the value of transaction whichever is higher if transferred within JK Securities Pvt. Ltd.	₹ 30 per transaction or 0.04% of the value of transaction whichever is higher if transferred to other DP clients	₹ 100 per transaction or 0.04% of value of transaction, whichever is higher if transferred to other DP clients
<b>Inter Depository Transaction Charge</b>	₹ 25 per transaction or 0.04% of the value of transaction whichever is higher (Payable up front)		
<b>Pledge Creation Charge</b>	₹ 100 per transaction or 0.01% of the value of transaction whichever is higher (Payable up front)		
<b>Pledge Closure/ Invocation Charge</b>	NIL		
<b>Speed-E Charges</b>	₹ 750 per quarter		
<b>Speed-E A/c Freeze Charges</b>	₹ 125 per freeze instruction		

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W.E.F : 01/06/2019

Schedule 'A'

**Charges : (for Beneficial Owner)**

<input type="checkbox"/> ₹ 350 Non BSDA Non Lifetime one year AMC free with e-communication AMC ₹ 350 + GST ₹ 63 Total ₹ 413			
<b>Market Sell Transfer</b>	<b>Within JKSPPL :</b> ₹ 25 per transaction for clients trading through JK Securities Pvt. Ltd.  <b>Outside JKSPPL :</b> ₹ 30 per transaction or 0.04% of value of transaction, whichever higher is if transfer to other DP Clients(Payable up front)		
<b>Off Market Sell Transfer</b>	<b>Within JKSPPL :</b> ₹ 25 per transaction or 0.01% of value of transaction, whichever is higher if transfer within JKSPPL(Payable up front)  <b>Outside JKSPPL :</b> ₹ 30 per transaction or 0.04% of value of transaction, whichever higher is if transfer to other DP Clients(Payable up front)		
<b>Slip Book Issuance (Payable Upfront)</b> ₹ 50 from second issuance	<b>DeMat Rejection</b> ₹ 25 per Rejection.	<b>Late Fee (Payable Upfront)</b> ₹ 50 per Instruction.	
<b>Modification Charges (Payable Upfront)</b> ₹ 25 per Account per Day	<b>Statement Charges (Payable Upfront)</b> ₹ 10 per request (Physical Copy)	<b>PoA Charges</b> ₹ 300	

\*\* All applicable government taxes will be levied separately. (GST 18%)

# **Documents of Rights & Obligations of the Clearing Member/ Participant & its Client in relation to the Securities Lending & Borrowing Scheme**

1. 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.

2. The National Securities Clearing Corporation is an Approved Intermediary ("AI") registered under the SEBI Scheme and is, therefore, authorized to facilitate lending & 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 & Borrowing Scheme (hereinafter referred to as "SLBS") for facilitating lending & borrowing of securities through persons registered as "Participants".

3. SEBI, thereafter, vide its Circular No. CIR/NRD/DP/19/2014 dated June 3, 2014 ("SEBI Circular") has modified the framework of Securities Lending & 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 & 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 & obligations document laying down the rights & obligations of the Participant and its Client for the purpose of Securities Lending & Borrowing. The said rights and obligations document shall be mandatory and binding on the Participant. Accordingly, the AI has framed this rights & obligations document laying down the rights and obligations of Participant as well as of its Client ("Rights & Obligations Document").

4. 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/st 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 & 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 & Obligations Document shall be binding on the Participant as well as on its Client.

5. 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 there under and the Rules, Byelaws, 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 there under and the Rules, Byelaws, Regulations of the AI as a Clearing Corporation as applicable and the terms & conditions of the said Agreement and this Rights & Obligations Document, the provisions of the SEBI Scheme, Circulars of SEBI, SLBS and the Circulars issued there under, the Rules, Byelaws and Regulations of the AI as a Clearing Corporation and the terms & conditions of the said Agreement shall prevail over this Rights & Obligations Document. The provisions of this Rights & Obligations Document are in addition thereto and not in derogation thereof.

6. 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.

**7.** Subject to the SEBI Scheme, Circulars of SEBI, SLBS and Circulars issued there under, and/or the Rules, Byelaws, 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.

**8.** 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 & regulations made there under respectively or Circulars of SEBI or SLBS and the Circulars issued there under and the Rules, Byelaws and Regulations of the AI as a Clearing Corporation.

#### **RIGHTS OF THE PARTICIPANT**

**9.** 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.

**10. 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.

**11. 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**

**12.** 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.

**13. 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.

**14. 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 there under and/or the Rules, Byelaws, Regulations of the AI as a Clearing Corporation and as in force from time to time.

**15. 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.

#### **16. 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.

**17. Reconciliation of Account :** The Participant and the Client shall agree to reconcile their accounts regularly with

reference to the transactions under the SLBS.

**18. 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.

**19. 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**

**20.** 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.

**21.** 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.

**22.** Notwithstanding any other provisions of the said Agreement and this Rights & 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 there under.

**OBLIGATION OF THE CLIENT**

**23. Abide by Law & Acquaintance to Law :**

The Participant declares that it has brought the contents of the SEBI Scheme, Circulars of SEBI, SLBS and the Circulars issued there under 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.

**24. Update & 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.

**25. 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 there under from time to time.

**26. 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.

**27. 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.

**28. 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.

**29. 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.



**30. 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.

**31. 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.

**32. Collateral :** At the discretion of the Participant, where the Client deposits the required collateral with the Participant, the same shall be free from any encumbrance(s) of whatsoever nature or defect in the title. If any encumbrance(s) or defect in the title is found subsequently, such collateral shall be immediately replaced by the Client.

**33. 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.

**34. 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.

**35. 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**

**36.** 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.

**37.** 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 there under.

**GOVERNING LAW AND JURISDICTION**

**38.** 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.

**39.** 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.

## **Annexure 2**

### **Risk Disclosure Document (MCX / NCDEX)**

The Exchange does not expressly or impliedly, guarantee nor make any representation concerning the completeness, the adequacy or accuracy of this disclosure documents nor has the Exchange endorsed or passed any merits of participating in the Commodity Derivatives market/trading. This brief statement does not disclose all of the risks and other significant aspects of trading. You should, therefore, study derivatives trading carefully before becoming involved in it. In the light of the risks involved, you should undertake transactions only if you understand the nature of the contractual relationship into which you're entering & the extent of your exposure to risk.

You must know and appreciate that investment in commodity futures contracts/ derivatives or other instruments traded on the Commodity Exchange(s), 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 the Exchange and suffer adverse consequences or loss, you shall be solely responsible for the same and the Exchange shall not be responsible, in any manner whatsoever, for the same and it will not be open for you to take the plea that no adequate disclosure regarding the risks involved was made or that you were not explained the full risk involved by the concerned member. The Client 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 commodity derivatives being traded on the Exchange. It must be clearly understood by you that your dealings on the Exchange through a

member shall be subject to your fulfilling certain formalities set out by the member, which may, inter alia, include your filing the know your client form and are subject to Rules, Byelaws and Business Rules of the Exchange guidelines prescribed by SEBI from time to time and circulars as may be issued by the Exchange from time to time.

The Exchange 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 member of the Exchange and/ or third party based on any information contained in this document. Any information contained in this document must not be construed as business advice/investment 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, you should be aware of or must get acquainted with the following:-

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

##### **i. 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.

## **ii. 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 prices, compared to the expected price levels, so as not to have any obligation to deliver/ receive such commodities.

## **iii. 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.

## **iv. 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. “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.

**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 redetermined 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.

## **v. 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.

## **vi. Risk of Rumours**

**a.** Rumours 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 rumours.

## **vii. 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.

## **viii. 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:-**

### **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**

##### **i. 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.

##### **ii. 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.

**iii. For rights and obligations of the Members/ Authorised Persons/ clients,** please refer to Annexure 3

**iv. 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.

**v. 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 Unique Member Code from SEBI.

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

##### **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 sell 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

##### **Risk of option writers**

1. If the price movement of the underlying is not in the anticipated direction, the option writer run the risk 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 risk may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short' position.

3. The transaction that involve buying and writing multiple positions in combinations, or writing position in combination with buying or selling short the underlined interest, present additional risk to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single position. 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 risk and potential rewards of combination transactions under various market circumstances.

## **Annexure - 3**

### **Rights & Obligations of Members, Authorised Person & Clients as prescribed by SEBI & 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, Byelaws 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, Byelaws 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 into 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. (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 –
    - i. causes a significant imbalance in the rights and obligations of the parties under the financial contract, to the detriment of the Client; and
    - ii. 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
    - i. the nature of the financial product or financial service dealt with under the financial contract;

- ii. the extent of transparency of the term;  
\*\*contracts offered by commodity exchanges
- iii. the extent to which the term allows a Client to compare it with other financial contracts for similar financial products or financial services; and
- iv. 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 –
  - i. is expressed in reasonably plain language that is likely to be understood by the Client;
  - ii. is legible and presented clearly; and
  - iii. 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 –

- i. 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
- ii. a standard form contract.

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 –

- i. an overall and substantial assessment of the financial contract; and
- ii. 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 –

- i. defines the subject matter of the financial contract;
- ii. 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
- iii. 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. (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. 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)

**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 –
  1. informs the Client in advance that the personal information may be shared with a third party; and
  2. 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, unauthorised 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. (A) Requirement of fair disclosure both initially and on continuing basis**

a. Member must ensure fair disclosure of information that is likely to be required by a Client to make an informed transactional decision.

b. 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.
- c. 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 provide a Client that is availing a financial product or financial service provided by it, with the following continuing disclosures –

- i. any material change 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;

ii. 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

iii. any other information that may be specified.

b. A continuing disclosure must be made –

i. within a reasonable time-period from the occurrence of any material change or at reasonable periodic intervals, as applicable; and

ii. 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, Byelaws 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 Byelaws and Business Rules of the Exchanges where the trade is executed for the purpose of giving effect to the provisions of the Rules, Byelaws 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, Byelaws 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. (A) 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.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 16a.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. (A) Protection from unfair conduct which includes misleading conduct & 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 –  
i. involves the use of coercion or undue influence; and

ii. 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 –

- i. the timing, location, nature or persistence

- of the conduct;
- ii. the use of threatening or abusive language or behavior;
- iii. 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;
- iv. any non-contractual barriers imposed by the Member where the Client wishes to exercise rights under a financial contract, including –
- v. the right to terminate the financial contract;
- vi. the right to switch to another financial product or another Member and
- vii. 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 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.

**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, Authorised 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, Byelaws 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.

## **Annexure 4**

### **Guidance Note - DOs and DON'Ts for the clients (MCX / NCDEX)**

#### **DOs**

1. Trade only through Registered Members of the Exchange. Check from the Exchange website at following link <https://www.mcxindia.com/membership/not-ice-board/Member-AP-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. 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-à-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 & 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 and only by Cheque and ask for receipt thereof from the Member.
19. Deliver the commodities in case of sale or pay the money 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:

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) 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.

c) 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.

d) 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/Authorised 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, rumours, 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.** Don't 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.** Don't issue cheques in the name of Authorized Person.





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