

## **POLICIES & PROCEDURE FOR CLIENT DEALINGS**

### **A. Refusal of orders/restrictions on trading in penny stocks and illiquid stocks:**

We define penny stocks as those stocks where the market price is below or close to par, with the company financials being weak with indicators such as loss, accumulated losses, low sales revenue, low or negative net worth, signs of inactivity in the company, which are having very less value. KSL may from time to time identify such stocks and put trading restriction on the trades in such penny stocks. In addition to these stocks KSL may also include other stocks in the list of restricted stocks such as stocks in Z category, Trade to Trade Settlement or TS category, the scrips which are included in the list of illiquid scrips by the exchange/s or any other scrip which KSL deem fit for the purpose putting trading restriction.

The restriction on above stocks may be as to the price, quantity or mode of placement of orders. Accordingly KSL reserves the right to disable certain scrips for trading on online trading facility/ Authorised Person/branch trading terminals or put quantity or price restrictions while putting trade orders. In such case, client may be allowed to place the trades subject to certain restrictions, through KSL's centralized dealing desk after enhanced due diligence of the orders.

In case of clients using Internet trading facility, they may not find the scrip name or may not be able to place any order in the scrip, if such scrip is one of the restricted scrips. A client can enquire with KSL's dealer or customer service executive about any trading restriction on any scrip.

The above referred restrictions are placed on the trading activities of the client as these stocks are exposed to price rigging and other market manipulative activities. Further, KSL as a member of the stock exchanges is expected to have proper surveillance and monitoring mechanism on the trading activities of their clients, particularly on penny and illiquid scrips.

Clients may note that KSL shall have right to reject the orders placed by the Client and/or put circuit breakers to discourage trades getting executed at unrealistic prices from the current market price of the security or prohibit the Client from trading in illiquid securities which creates artificial liquidity or manipulates prices or to discourage Client from cross/ synchronized trading and KSL shall not be liable for any loss arising out of non acceptance or rejection of the Client orders for any such reason if the Client fails to give sufficient reason for placing such orders.

### **B. Setting up client's exposure limits :**

KSL may from time to time at its sole discretion, impose and vary the limits on the orders that client can place through it (including but not limited to exposure limits, turnover limits, limits as to number, value and/kind of securities/ contracts in respect of which buy or sell orders can be placed). KSL may need to vary or reduce the limits or impose new limits urgently on the basis of its risk perception and other factors considered relevant and KSL will make all necessary attempts to inform clients of such changes.

Further KSL may as risk containment measure at any time at its sole discretion and without prior notice, prohibit or restrict the client's ability to place the orders or trade in all or some of securities/ contracts through member. The exposure limits are generally based on the availability of the margin in the client's account. Margin may be in the form of funds and /or in the form of securities with KSL. The client shall be permitted to trade upto a pre-determined number of times of the margin (the "Multiple") and the quantum of the Multiple on the margin shall be decided at sole discretion of KSL.

**C. Applicable brokerage rate:** Brokerage will be charged to the client based on the brokerage rates specified in the account opening form or as per the product/scheme opted by the client from time to time. Brokerage chargeable to the client will also be communicated to the client through the welcome letter sent at time of account opening. Based on the value of business done by the client and risk perception, KSL may reduce the brokerage

rate at its sole discretion. Such changed/reduced brokerage terms will be communicated through the relationship manager/e-mail communication and / or amount will be reflected in the contract notes for future trades. However, any increase in brokerage rate either be done with the consent of the client in writing or at the discretion of KSL by giving 15 days advance notice to the client. The brokerage rate shall be within the permissible limit set by SEBI/ Exchanges (currently the same is 2.5% of turnover).

### **D. Imposition of penalty/interest on delayed payment:**

KSL requires all its clients to make the payment towards settlement obligation on or before due date. In case of debit balance in cash segment, penal interest will be levied on the client to deter them from delaying the payment in future. Clients are further required to make payment of margin towards their Derivatives segment exposure. While, KSL accepts approved securities as margin, however KSL is not the beneficial owner of these securities and hence it is unable to pledge the same onwards to the exchange as margin and has to arrange for own funds/securities for payment of margin to the exchange for positions taken by the clients. Clients are requested to make payment of margin in the form of funds to avoid charging of interest in F&O segment. Accordingly, whenever clients provide securities margin (or there is shortfall in payment of securities margin) instead of margin in the form of funds towards exposure in F&O, KSL reserves the right to charge interest on the debit balance lying in F&O segment. No ledger credit will be given for margin paid by the client in the form of securities.

The company may determine the rate of interest to be charged, at its sole discretion. Same will be communicated in debit note on interest sent to the clients. Default interest rate is 24% p.a compounded on monthly basis. KSL may reduce the interest rate at its sole discretion depending on various factors including credit history of the client. Revised interest rate will be communicated through the relationship manager/e-mail communication and will be reflected in the debit notes. However, any increase in rate of interest from the rate of interest previously charged to the client will be done with advance notice of 15 days to the client. Interest will be calculated considering balance lying across all exchange and segment on any given day.

Margins provided by the client in the form of funds shall be interest free and the KSL shall not be liable to pay any interest on the same. Any amounts which are overdue from the Client towards trading either in the cash or derivative segments or on account of any other reason to KSL will be charged Interest on delayed payment at the rate of 24% p.a compounded on monthly basis or such other rate as may be determined by KSL. KSL will directly debit the same to the account of the Client at the end of each month. Further, KSL will also debit charges for depository services availed from it to the trading account of clients.

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

Without prejudice to other rights (including the right to refer a matter to arbitration), KSL would be entitled to liquidate/close out without any notice all or any of the client's position for non payment of margins or other amounts, outstanding debts etc. and adjust the proceeds of such liquidation/close out, if any, against the clients liability/ obligations. Any and all losses and financial charges on account of such liquidation/closing out shall be charged to and borne by the client.

Company on best effort basis will try and inform the client and give him reasonable time for payment. However it will be the responsibility of client to track his margins/ obligations by going through margin statements sent to the client on daily basis.

The client shall be responsible to track his shortfall daily on real time and clear such shortfall, if any, arising in his account. Notwithstanding hereinabove, KSL shall be entitled to liquidate/ close out all or any of the client's positions without any notice to the client during market hours in case the Client fails to provide required margin and/or any other payment or if there is any substantial/complete erosion of margin due to volatility in the

market. On substantial/complete erosion of margin due to any reason whatsoever, the decision of KSL shall be final and binding on the client. The stock broker may exercise all or any of the above rights in such manner as the stock broker thinks appropriate, without demand for additional margin, security or collateral, or advance notice or advertisement, on any exchange or other market where such business can be transacted, at a public auction or by private sale and the stock broker may be the purchaser / seller for its own account. The giving of any prior demand, call or notice shall not be considered as a waiver of the stock broker's right to exercise its rights without any such demand, call or notice. The client agrees that in case of high market volatility, the stock broker may require the client to pay instantaneous margins in addition to the margins that may have already been paid by the client as per margin calls. The client agrees that the stock broker may be compelled to do so in such circumstances of market volatility, in absence of the payment of the said instantaneous margins by the client, Square-off all or any Outstanding Positions, prevent any new orders from being placed and / or executed by the client or take such other action as the stock broker thinks fit and proper. The client agrees that the stock broker may in exceptional circumstances be compelled to Square-off all or any Outstanding margin/ Positions or prevent any new orders from being placed and / or executed by the client or take such other action as the stock broker thinks fit and proper, even without calling for the payment by the client, of the aforesaid instantaneous margins by the client.

In case the payment of margin/security is made by the client through a bank instrument, KSL shall be at liberty to give the benefit/credit for the same only on completion of bank reconciliation and realization of the fund from the said bank instrument etc., at its absolute discretion. Where the margin/security is made available by way of securities or in any other acceptable form, KSL is empowered to decline its acceptance as margin/security and/or to accept it at such reduced value as the stock broker may deem fit by applying haircuts at the rate prescribed by Exchange or by valuing it by marking it to market or by any other method as it may deem fit in its absolute discretion.

KSL has the right but not obligation, to cancel all pending orders and to sell/close/liquidate all open position/securities/ shares at the pre-defined square off time or when mark to market percentage reaches or crosses stipulated margin percentage, whichever is earlier. KSL will have sole discretion to decide referred stipulated margin percentage depending upon the market condition. In the event of such square off, the client agrees to bear all the losses based on actual executed prices. The client shall also be solely liable for all and any penalties and charges levied by the exchange (s).

**F. Shortages in obligations arising out of internal netting of trades:** KSL as member of the exchange delivers/receives securities to/from the clearing corporation on net obligation basis in respect of a settlement. In such a process, if a client, who has sold securities, short delivers the securities, which are to be delivered to another client of KSL, who has bought the same security, it is treated as internal shortage of securities. In case of internal shortages on pay in day, KSL will endeavor to buy the shares from the market on the payin day or on the next working day on behalf of the client who has delivered short and deliver the same to the client who has bought them. The client who has delivered short will be debited with the rate at which the shares were purchased or the rate at which the said shares were sold by him, whichever is higher. In case KSL is unable to buy the securities as stated above, the transaction shall be closed-out.

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

Under following circumstances a client may not be allowed to take further position and if required the existing position in his account may be also be closed:

- If there is a continuous debit Balance in client's account.
- If there is insufficient margin in client's account required to maintain his open position.

- If client is not responding satisfactorily to the Company / regulatory enquiry on trades undertaken by him explaining the rationale for transactions or fails to provide documents to prove beneficial ownership of shares, submit proof of income/ Net worth etc.
- If there is an order by SEBI or any other appropriate authority debarring the client from dealing in securities market or an order to suspend/seize client's account.
- In case the scrip or member limits are breached or likely to be breached in the Derivatives Market Segment.
- In case of dormant/inactive account and
- At the discretion of the company by giving written notice to the client.

**H. Temporarily suspending or closing a client's account at the client's request :**

- A client can request for temporary suspending or for permanently closing his account. For permanent closure, client has to give a notice of one month and clear the dues, if any, in his account. Client account may be suspended by the company at any time:
1. On directions received from any regulatory authorities.
  2. If client is not responding to the queries raised by the company related to his trade activities.
  3. If there is not a single active demat account linked to trading account.
  4. Due to any other non compliance observed in the account.

**I. Deregistering a client :**

Notwithstanding anything to the contrary stated in the arrangement, KSL shall be entitled to terminate the arrangement with immediate effect in any of the following circumstances:

- i) If the action of the client are prima facie illegal improper or such as to manipulate the price of any securities or disturb the normal/proper functioning of securities either alone or in conjunction with others;
- ii) If there is commencement of any legal proceedings against the client under any law in force;
- iii) On the death/lunacy or other disability of the client;
- iv) If the client being a partnership firm, steps taken by the client and/or its partners for dissolution of the partnership;
- v) If the client suffers any adverse material change in his/her/ its financial position or defaults in any other/arrangement with KSL;
- vi) 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;
- vii) If the client is in breach of any terms, condition or covenant of this arrangement;
- viii) If the client has made any material misrepresentation of facts, including (without limitation) in relation to the security;
- ix) If a receiver, administrator or liquidator has been appointed or allowed to be appointed of all or any part of the undertaking of the client;
- x) If the client have taken or suffered to be taken any action for its reorganization, liquidation or dissolution;
- xi) If the client has voluntarily or compulsorily become the subject of proceedings under any bankruptcy or insolvency law or being a company, goes into liquidation or has a receiver appointed in respect of its assets or refers itself to the Board of Industrial and Financial Reconstruction or under any other law providing protection as a relief undertaking;
- xii) If the covenant or warranty of the client is incorrect or untrue in any material respect;
- xiii) On the order from the appropriate authority;
- xiv) In accordance with the provisions of arrangement entered into with the client.

**J. Policy on inactive (dormant) Account:**

In order to protect the account of customer, KSL will deactivate the trading accounts of the client, which are identified as "Dormant" on the date of review. Dormant account will be the account where there has been no trade for more than 2 years as on the review

date. However in case the account satisfies any one of the following conditions, the account will not be marked as dormant even though there has been no trading activity for a period of 2 years before review date

- a) Client has brought in Funds/ Stocks in mapped DP account in last 6 months
- b) Logged into online trading platform in last 6 months (Only for Online Clients)
- c) Updated any client Master detail in last 6 months. Clients will be given advance notice before deactivation of the account. In case any client requests for keeping the account active, deactivation of account will be withheld. Once the account is deactivated, the customer will not be able to place any orders in any trade segments. Client can get his account reactivated by following any of the below process after due authentication:
  - Call / SMS our Customer Service Executive from registered Telephone Number
  - Write an E-mail from registered E-mail ID
  - Submit physical letter of request for reactivation at any of our branches. Funds and securities would be settled as per the settlement frequency chosen by the client. In case of interim request received from the client for release of funds/securities before due date of running account settlement, the funds and/or securities will be released only after Reactivation procedure is completed as mentioned above.

#### **K. Penal charges that may be debited to the Client's account:**

KSL reserves the right to debit client's ledger for any penal charges that may be charged by the Exchanges/ depositories on KSL on the client level for any default/ violation of Exchange guidelines / requirement occurring due to omission or commission of any act on the part of the client.

This may include penalty for :-

- Short delivery of securities - Shortfall in Margin payment
- Violation of client level - Client code modification position limits KSL shall have the right to recover such charges like any other trade dues payable by the client and recover the same by selling his securities.

#### **L. Third party funds and securities:**

In accordance with SEBI circular dated August 27,2003, KSL requires all its clients to make payout of funds and securities from the account held in their name towards their settlement and margin obligation. Similarly, payout of funds will be made in client's name and securities will be transferred only to demat account held in client's name and registered with KSL. Proofs regarding account being held in client's name i.e. copy of cheque book/bank statement in case of funds and copy of DP master in case of securities needs to be provided by the client. Receipt of funds/securities will be accepted only from these accounts.

Payment made from any other account will be treated as "third party". In no circumstance, third party funds and securities will be accepted towards settlement and/or margin obligation. In case, KSL observes that payment of funds or securities towards payin/ margin obligation has been met from third party account, KSL reserves right not to give credit of funds/ securities to client/reverse the credit given and return the same to the source account from where funds/securities were received. Client will be solely liable on account of any shortfall in meeting payin/margin obligation in this regard. Wherever, client gives POA on demat account to KSL, KSL treats the securities lying in the account as securities margin. Therefore, client needs to ensure that only securities belonging to the client are retained in the account and appropriate proof regarding purchase/gift etc. needs to be provided to KSL. In absence of the same, KSL reserves right to transfer the securities to source account from where securities were transferred to POA demat account. In case client transfers securities to POA account from third party account and sells the securities, KSL reserves the right to withhold the payout till client obtains NOC from the account holder from whose account shares were transferred for sale.

**Kindly note that the updated policies shall be available on the website of the Company.**

#### **Additional Risk/Obligation/Liability Statement in the case of trading through Wireless Technology/Smart Order Routing**

These terms contained in the present are in addition to and concurrent with the terms of Rights and Obligation prescribed the Securities and Exchange Board of India (SEBI) vide its circular dated August 22, 2011 as amended from time to time and letter containing additional voluntary terms and conditions. Following are the additional features, risks, responsibilities, obligations and liabilities associated with the securities trading using wireless technology, Smart order Routing applicable to CLIENTS who wish to avail any such facilities from the Stock Broker/MEMBER.

#### **Securities Trading using Wireless Technologies (STWT)**

- 1) The CLIENT agrees that the MEMBER shall not be liable or responsible for non-execution of the orders of the CLIENT due to any link/system failure at the CLIENT/MEMBERS/EXCHANGE end.
- 2) The Stock Exchange may cancel a trade sub-moto without giving any reason thereof. In the event of such cancellation, MEMBER shall be entitled to cancel relative contract(s) with CLIENT.
- 3) The information regarding order and trade confirmation shall be provided on the device of the CLIENT in case of securities trading through the use of wireless technology.
- 4) The CLIENT is aware that as it may not be possible to give detailed information on transactions/ledger/contract note etc. to the CLIENT on a hand held device e.g. mobile phones etc. minimum information would be given with address of the internet website/web page where detailed information would be available

#### **Smart order Routing Facility (SOR)**

- 1) The CLIENT is aware that SOR is available for online customers and the MEMBER shall route orders using this facility in a neutral manner.
- 2) The MEMBER has explained and the client has understood the best execution policy as mentioned below and its features for SOR facility.

#### **Best Execution Policy for Smart Order Routing:**

Best Execution Policy sets forth policy and execution methodology for execution of orders for securities listed on a securities exchange within India and on specific client instruction regarding execution, trading member shall endeavor to execute that order in accordance with the following principle:

- i. MEMBER shall permit Smart Order option in cash segment only. Smart order facility will not be available for After Market Orders.
- ii. Using Smart Order, the CLIENT may place market order after clearance of all the risk management validations set by the MEMBER.
- iii. For market order, system shall send the orders to the Exchanges based on the available market depth. The order placed by the CLIENT will be splitted and sent to the Exchange where there is best rate available for a particular quantity. If prices are equal in available Exchange then quantity will be the priority and system will place order on the Exchange where total quantity is maximum for that order type.
- 3) The CLIENT is aware that the trading member shall carry out appropriate validation of all risk parameters before the orders are placed through the SOR system.
- 4) In case the CLIENT has availed Smart Order Routing facility he shall select the type of order he wishes to use for a particular trade.
- 5) The MEMBER shall ensure that alternative mode of trading system for eg. Call and trade facility etc. is available in case of failure of Smart Order Routing facility.
- 6) The MEMBER shall maintain logs of all activities to facilitate audit trail.
- 7) The client shall also abide to the terms and conditions as may be communicated regarding SOR facility from time to time or as is published on the website of the MEMBER.