

## POLICY AND PROCEDURES

Sharekhan as a SEBI registered intermediary is mandated to follow the rules regulations circulars of the exchanges and SEBI issued from time and operates through well defined procedures and policies.

The following policies have been mandated by SEBI to be made available to the clients. It should not be construed that these are the only policies followed by Sharekhan.

### (A) Refusal of orders for Penny Stocks

Penny stocks are scrips which have a very low value and may or may not be illiquid. Most times there would be very few buyers /sellers for such scrips. The exchange (NSE and BSE) releases a list of such scrips and they are termed as illiquid securities. Sharekhan retains the right to term a particular scrip as illiquid/penny stock based on the parameters it deems fit. These parameters may include, the past volume of the scrip, the volatility in the scrip among others, whether trading in a particular scrip falls within the purview of fraudulent trades or trades deemed to be fraudulent under the SEBI - prohibition of fraudulent and unfair trade practices relating to securities market regulation 2003.

Sharekhan reserves the right to facilitate clients for placing orders with regards to the penny stocks or illiquid scrips as described above. Sharekhan is not under any obligation to push orders which are in the nature of penny stocks/ illiquid scrips. Sharekhan does not encourage trades in penny stock.

Sharekhan may permit trades in a penny or illiquid scrip subject to certain conditions, such conditions may include

- Submission of a declaration, by the client, such declaration would include the reasons for entering into the said transaction and also whether the client has abided by the all the relevant regulations.
- In case of a buy transaction the client may be asked to deposit the full value of scrip which the clients intends to purchase, in case of sale transaction, the scrip will necessarily be transferred to Sharekhan's margin account prior to placing the sale order.
- Assessment of the past trading pattern or records of the client prior to giving permission
- Conducting in person verification of the said client to establish the genuineness of the intended trade.

Sharekhan reserves the right to refuse to place such orders whether or not the client fulfills the aforementioned conditions.

### (B) Setting Up Client's exposure Limits

Exposure is allowed to the clients based on the margin available in form of funds or approved securities valued after deducting an appropriate haircut. Client is liable to pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the Exchange. Further Sharekhan at it's discretion may collect additional margin or may even reduce the margin even though not required by the Exchange. Clients are supposed to maintain sufficient balance with Sharekhan pre trade depending on the channel through which they trade. Sharekhan may levy additional margins or relax the margins earlier imposed based on factors such as, client level positions, volatility in a particular stock or the market in general. Though it shall be our endeavor to ensure that a proper notice is sent to the clients, this may not always be possible taking into consideration the market scenario. Exposure allowed to clients may vary, basis the clients past trading performance, quality of collateral, market circumstances and dynamics and other such factors.

Clients may trade themselves through the internet or may trade through the sub-broker or branch. For clients who trade through the internet, the exposure limit may be ascertained by them on the trading portal. Clients executing trades through subbroker or branches may check their exposure positions with the sub-broker/ Branch.

Sharekhan shall not be responsible for any variation, reduction or imposition or the Client's inability to route any order through the Stock broker's website on account of any such variation, reduction or imposition of limits. Sharekhan 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 based on certain risk parameters.

### (C) Applicable Brokerage

The brokerage applicable shall be as agreed upon from time to time. In case of any modification in the brokerage rate, the client shall confirm the same as required by Sharekhan. The client agrees to pay to Sharekhan, brokerage, Exchange related charges, statutory levies and any other charges (including but not limited to security handling charges on settlement) 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. Sharekhan does not charge brokerage more than the maximum brokerage permissible as per the rules and regulations and bye laws of the Exchanges/SEBI. However the minimum brokerage as stipulated by the exchanges will be levied. The brokerage shall be charged as a percentage of the value of the trade or as a flat fee or otherwise, together with the statutory levies as may be applicable from time to time on the same. In addition to the brokerage charged the following charges will also be levied.

#### Schedule of charges

1. Account opening fees
2. SEBI turnover fees as applicable
3. Exchange Transaction charges as applicable
4. Securities Transaction Tax (STT)\* :- The STT rates will vary with regards to trades done on delivery basis, non delivery basis and trades done in the derivative segment .
5. Service tax \*
6. Stamp duty :- Statewise stamp duty as applicable will be levied.
7. Education Cess and higher Education Cess \*

(9) 

Signature of Client

NSDL - Version 9

17

8. In addition to the above Sharekhan shall debit the demat charges to the trading account.
9. In case there are any bank charges or any other charges levied by the exchange or any other authority on account of any violation done by the client, the same shall be charged to
10. Delivery Handling Charges (DHC) would be levied on each sale transaction in case if the value of brokerage levied is less than Rs 16/-. The value of DHC would be difference of Rs 16/- and the brokerage charged.
11. In case where the brokerage levied as a percentage on the value of the shares/ contract is less than the minimum brokerage payable per share/contract. The client will be charged such minimum rate of brokerage per share instead of the percentage. \*These are government levies and are subject to change from time to time and will be charged in addition to the brokerage as applicable All the above charges would be subject to change from time to time. Such changes shall be displayed on the website or such other URL used by Sharekhan from time to time.

In case the brokerage rate is not specified on the brokerage chart within the KYC, the default brokerage as mentioned below will be applicable.

#### Default Brokerage

Cash Market Brokerage	%	Min. Paise Per Share	Derivatives Segment		Currency Derivatives		
			Futures %	Options %	Futures %	Options %	
First Leg	0.10	5	First Leg	0.10	2.50	0.10	2.50
Second Leg(Same day Sq.off)	0.10	5	Same day square off	0.02	2.50	Nil	Nil
Delivery Brokerage	0.50	10	Next day square off	0.10	2.50	0.10	2.50

In case of futures, the minimum brokerage of 0.01paise per share will be charged.  
 In case of futures options, minimum brokerage will be Rs. 100/- per lot or the above whichever is higher.  
 In case of currency futures, the minimum brokerage of 0.01paise per quantity will be charged. In case of currency options, minimum brokerage will be Rs. 30/- per lot or the above whichever is higher.

#### Standard Brokerage

Percentage	Index / Stock Options Segment Min. amount per lot	Currency Options Segment Min. amount per lot
2.50	100	30
2	90	25
1.50	80	20
1	70	15
0.50	60	10

- D. Imposition of Penalty / Delayed payment charges by either party, specifying the rate and period. Delay pay-in charges are levied to clients for non payment or delay in payment of their fund obligation on time which may be due on account of charges, margins or any other sum due to Sharekhan. Clients are required to pay margins before placing any trades. Clients are allowed to place margins in form of funds or securities. Exposure is given to the client based on the stocks submitted by the client towards margin to Sharekhan. Appropriate haircut is applied on such stocks. They are then expected to make the full payment for the purchase on the settlement date. In case there is a debit balance in the clients account, the same shall be liable for the delayed payment charges. The calculation of these charges is an automated process. The charges to be levied would be up to 2 % per month. These charges have been introduced so that they act as a deterrent for delaying the payment of funds. In case where any penalty / charges /fees / taxes etc. of whatever nature, is levied on Sharekhan on account of trades or orders placed by clients, such penalty /charges /fees / taxes etc. shall be debited to the client's account.
- E. Right to sell client's securities or close client's positions, without giving notice to the client on account of non payment of client's dues:–  
 Margin collection – Margin is collected upfront from the client's i.e prior to executing any trades. Based on the margin thus available with Sharekhan - exposure is given to the client. The applicable margin may vary and the client may be asked to replenish the margin by tendering additional funds or securities.  
 In accordance with Exchange guidelines, Sharekhan retains the right to square off the position without giving any notice to the client.
  - The client agrees to pay for the shares purchased through Sharekhan before the pay-in date in order to enable Sharekhan to make the requisite pay-in to the exchange. In case the client fails to make the payment, Sharekhan may liquidate the securities in the clients account in order to ensure that adequate credit is received for the shares purchased. This square off may be done on or before the 5th day from the settlement date.
  - The client also agrees to maintain adequate margin for the positions taken in any segment. However in case the credit available is lower than the minimum margin required, the client's positions would be liquidated in a manner that there is no shortfall of margin.
  - Sharekhan shall endeavor to ensure that adequate prior information is given to the client for such liquidation. It shall inform the client through the mobile number and or email id updated with Sharekhan. For clients to whom a login and password is given to access their account on the website www.sharekhan.com, or such other URL that may be provided by Sharekhan from time to time, where they are required to login and check the limit statement uploaded therein. It shall be the clients' responsibility to ensure that adequate credit balance is available in the account.

(10)

Signature of Client

- The above guidelines may be changed based on the discretion of Sharekhan and in terms of the market conditions. In cases where the market is volatile and there is a sudden spurt in scrip price then Sharekhan may square off position without any notice due to the paucity of time and other such circumstances
  - Whenever Sharekhan endeavors that the positions are to be liquidated, it shall not be responsible for any liabilities in case the same cannot be liquidated.
  - The priority of the positions to be squared off, i.e. which positions to be squared off first, would be at the discretion of Sharekhan.
- Sharekhan may follow the following priority for squaring-off positions :-
- a) Lower Margin scrip's will be squared off first.
  - b) Only futures position will be squared off (option position to be square off manually)
  - c) In case where there is a position in cash and derivative segment, futures positions would be squared off first then cash positions would be square off in case shortfall still exist.

F. Shortages in obligations arising out of internal netting of trades

Internal Shortage Policy

BSE has a window wherein internal short deliveries can get auctioned as per the normal auction process. Internal short deliveries are not covered by the Auction conducted on the NSE. It is due to this limitation on the NSE we follow the procedure as mentioned below

1. The client may not receive shares on T+2 in case there is an internal shortage situation within Sharekhan, i.e. the buyer and seller are both Sharekhan clients and the seller defaults in delivery due to which the buyer may not receive the shares.
2. In case of an internal shortage, firstly the defaulting seller would be debited with a value as on the previous day of the payin day + 30 % for the default till such time the auction process can be completed.
3. In case there is an internal shortage in BSE, the exchange conducts an auction through which the shares would be purchased and delivered to the buyer. The seller would be debited at the rate at which the exchange would have purchased these shares. Additionally, brokerage, statutory costs and other incidental charges including penalty for non-delivery may be debited to the client. In case the exchange is unable to purchase these shares, the exchange will inform Sharekhan of a close out rate, at which the buyer would be allowed credit and the seller would be debited for the same amount.
4. In case there is an internal shortage in NSE, Sharekhan purchases the shares from the normal market and provides the shares to the buyer, on receipt of delivery. The defaulting seller would be debited with the rate at which these shares were purchased, including the brokerage, statutory charges and other incidental charges including penalty if any. In case of non receipt of delivery to purchase the shares, the buyer would be offered credit at a close out rate applicable on T+4 day + 3% or and the seller would be debited at the same rate. In case where Sharekhan is unable to purchase the shares on account of the scrip being in buying circuit, the position would then be closed out on the closing price of the exchange on T+2 at the circuit percentage of 2 days
5. Sharekhan may also levy charges on the defaulting seller for non-delivery of stocks within the stipulated time.

G. Conditions under which a client may not be allowed to take further position or the broker may close existing position of a client /Temporary suspending or close a client's account at the client's request and Deregistering a client

- a) In the event where overall position in any scrip or derivative contract has reached the limit prescribed by regulators or exchanges. For example, in case of NRI clients where the PIS Limits are prescribed by RBI are breached or in case of Exchange wise, scrip wise limit prescribed by Exchanges for derivative contracts are breached. In all such cases the client may not be permitted to take additional positions
- b) Sharekhan has the right to stop or block the client to trade in case where there is a debit balance in his/her account.
- c) Sharekhan retains the right to block the client to take a position in certain specified scrips basis the risk management systems of Sharekhan.
- d) In case where Sharekhan is apprehensive the client to be an entity debarred by any regulatory authority, it shall retain the right to stop the trading activities of such a client.
- e) In case where Sharekhan perceives risk with regards to any regulatory action or with regards to delay or non payment of margin or any other obligation Sharekhan may temporary block or suspend the trades of such clients.
- f) In case where the client's account is dormant for a period of more than 3 months Sharekhan may mark such clients as inactive, and trades in the futures and options segment / Cash segment will be restricted till the receipt of the request from the clients for activating the account.
- g) In case where suspicious transactions are observed, including but not limited to off market transactions.
- h) In case where clients are not reachable at their contact details mentioned in the client registration form or in the client master changes form.
- i) In case where unprofessional, or unruly behavior of the client is observed.
- j) In case of any ongoing dispute with the client, we may not permit the client to take further positions and may even close out his open positions.
- k) Further in case of clients breaching the risk parameters mentioned in point H above we may close the clients' positions without any intimation.

In the event of death or insolvency of the client, winding up or liquidation or the client otherwise becoming incapable of receiving and paying for or delivering or transferring securities which the client has ordered to be bought or sold, the Stock Broker may close out the transaction of the client and the client or his legal representative as the case shall be would be liable for any losses, costs and be entitled to any surplus which may result therefrom.