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## Rights & Obligations of Members, Authorised Persons and Clients as prescribed by SEBI and Exchanges

1. The client shall invest/trade in those securities/commodities/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 Member, Authorised Person 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 himself of the capacity of the Member to deal in securities/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. The Authorised Person shall provide necessary assistance and co-operate with the Member in all its dealings with the client(s).
7. Requirements of professional diligence
  - 7.a. The Member must exercise professional diligence while entering into a financial contract or discharging any obligations under it.
  - 7.b. "professional diligence" means the standard of skill and care that a Member would be reasonably expected to exercise towards a Client, commensurate with.
    - 7.b.i. honest market practice;
    - 7.b.ii. the principle of good faith;
    - 7.b.iii. level of knowledge, experience and expertise of the
    - 7.b.iv. Client;
    - 7.b.v. the nature and degree of risk embodied in the financial product\* or financial service being availed by the Client; and
    - 7.b.vi. the extent of dependence of the Client on the Member.

\*Commodity derivative contract

### 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 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, as per terms & conditions accepted 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. Protection from unfair terms in financial contracts\*\*

11.a. An unfair term of a non-negotiated contract will be void.

11.b. A term is unfair if it:

11.b.i. causes a significant imbalance in the rights and obligations of the parties under the financial contract, to the detriment of the Client; and

11.b.ii. is not reasonably necessary to protect the legitimate interests of the Member.

11.c. The factors to be taken into account while determining whether a term is unfair, include:

11.c.i. the nature of the financial product or financial service dealt with under the financial contract;

11.c.ii. the extent of transparency of the term;

\*\*contracts offered by commodity exchanges

11.c.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

11.c.iv. the financial contract as a whole and the terms of any other contract on which it is dependent.

11.d. A term is transparent if it:

11.d.i. is expressed in reasonably plain language that is likely to be understood by the Client;

11.d.ii. is legible and presented clearly; and

11.d.iii. is readily available to the Client affected by the term.

11.e. If a term of a financial contract is determined to be unfair under point 12.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.f. A "Non-negotiated contract" means a contract whose terms, other than the terms contained in point 11.d. (given below) are not negotiated between the parties to the financial contract and includes:

11.f.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

11.f.ii. a standard form contract.

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

11.h. 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:

11.h.i. an overall and substantial assessment of the financial contract; and

11.h.ii. the substantial circumstances surrounding the financial contract

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

12.

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

12.a.i. defines the subject matter of the financial contract;

12.a.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

- 12.a.iii. is required, or expressly permitted, under any law or regulations.
- 12.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.
- 13. 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.
- 14.
  - 14.a. Protection of personal information and confidentiality
    - 14.a.i. "Personal information" means any information that relates to a Client or allows a Client's identity to be inferred, directly or indirectly, and includes:
      - 14.a.i.1. name and contact information;
      - 14.a.i.2. biometric information, in case of individuals
      - 14.a.i.3. information relating to transactions in, or holdings of, financial products
      - 14.a.i.4. information relating to the use of financial services; or
      - 14.a.i.5. such other information as may be specified.
  - 14.b. A Member must
    - 14.b.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;
    - 14.b.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.;
    - 14.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;
    - 14.b.iv. ensure that Clients can obtain reasonable access to their personal information, subject to any exceptions that the Regulator may specify; and
    - 14.b.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.
- 15. A Member may disclose personal information relating to a Client to a third party only if:
  - 15.a.i. it has obtained prior written informed consent of the Client for the disclosure, after giving the Client an effective opportunity to refuse consent;
  - 15.a.ii. the Client has directed the disclosure to be made;
  - 15.a.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;
  - 15.a.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;
  - 15.a.v. the disclosure is directly related to the provision of a financial product or financial service to the Client, if the Member:

- 15.a.v.1. informs the Client in advance that the personal information may be shared with a third party; and
  - 15.a.v.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
  - 15.a.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.
  - 15.b. "Third party" means any person other than the concerned Member, including a person belonging to the same group as the Member.
16. Requirement of fair disclosure both initially and on continuing basis
- 16.a. Member must ensure fair disclosure of information that is likely to be required by a Client to make an informed transactional decision.
  - 16.b. In order to constitute fair disclosure, the information must be provided:
    - 16.b.i. sufficiently before the Client enters into a financial contract, so as to allow the Client reasonable time to understand the information;
    - 16.b.ii. in writing and in a manner that is likely to be understood by a Client belonging to a particular category; and
    - 16.b.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.
  - 16.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:
    - 16.c.i. main characteristics of the financial product or financial service, including its features, benefits and risks to the Client;
    - 16.c.ii. consideration to be paid for the financial product or financial service or the manner in which the consideration is calculated;
    - 16.c.iii. existence, exclusion or effect of any term in the financial product or financial contract;
    - 16.c.iv. nature, attributes and rights of the Member, including its identity, regulatory status and affiliations;
    - 16.c.v. contact details of the Member and the methods of communication to be used between the Member and the Client;
    - 16.c.vi. rights of the Client to rescind a financial contract within a specified period; or
    - 16.c.vii. rights of the Client under any law or regulations.
17. Member must provide a Client that is availing a financial product or financial service provided by it, with the following continuing disclosures:
- 17.a. any material change to the information that was required to be disclosed under point 15 at the time when the Client initially availed the financial product or financial service;
  - 17.b. 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
  - 17.c. any other information that may be specified.
18. A continuing disclosure must be made:
- 18.a. I within a reasonable time-period from the occurrence of any material change or at reasonable periodic intervals, as applicable; and

18.b. in writing and in a manner that is likely to be understood by a Client belonging to that category.

## Margins

19. 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, Clearing House/Clearing Corporation or SEBI) and the client shall be obliged to pay such margins within the stipulated time.
20. 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 & Settlements

21. The client shall give any order for buy or sell of a security/commodity/derivatives contract in writing or in such form or manner, as may be mutually agreed between the client and the Member. The Member shall ensure to place orders and execute the trades of the client, only in the Unique Client Code assigned to that client.
22. 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 stock exchange where the trade is executed.
23. The Member shall ensure that the money/securities/commodities 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, Regulations, circulars, notices, guidelines of SEBI and/or Rules, Regulations, Bye-laws, circulars and notice of Exchange.
24. Where 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).
25. 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

26. 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, regulations and bye-laws of the relevant stock exchanges and/or rules and regulations of SEBI.

## Liquidation & Close Out of Position

27. 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.
28. 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/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/securities/commodities in favour of a Nominee shall be valid discharge by the Member against the legal heir.

29. The Member 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 Director(s)/Promoter(s)/Partner(s)/Proprietor as the case may be, shall also be communicated by the Member to the relevant Exchange(s).

## Dispute Resolution

30. The Member shall provide the client with the relevant contact details of the concerned Exchanges and SEBI.
31. The Member 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.
32. 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 Regulations of the Exchanges where the trade is executed and circulars/notices issued thereunder as may be in force from time to time.
33. The Member 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.
34. The client/Member 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/Member in accordance with the letter authorizing the said representative to deal on behalf of the said client/Member.

## Termination of Relationship

35. This relationship between the Member and the client shall be terminated; if the Member for any reason ceases to be a member of the stock exchange including cessation of membership by reason of the Member's default, death, resignation or expulsion or if the certificate is cancelled by the Board.
36. The Member, Authorised 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.
37. In the event of demise/insolvency of the Authorised Person 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 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, Authorised 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 & Obligations

38. The Member 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.
39. The Member 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.
40. The Member 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 Member 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.

41. The Member shall make pay out of funds or delivery of securities/commodities, 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.
42. The Member shall send a complete 'Statement of Accounts' for both funds and securities/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 Member.
43. The Member 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.
44. The Client shall ensure that they/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.
45. The member 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.

## Electronic Contract Notes

46. In case, client opts to receive the contract note in electronic form, he shall provide an appropriate e-mail id to the Member. 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.
47. 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.
48. 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.
49. 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/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 Member 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 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 regulations of SEBI/stock exchanges.
50. 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 of SEBI/stock exchanges and maintain the proof of delivery of such physical contract notes.
51. 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.



## Law & Jurisdiction

52. 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 Regulations of the Exchanges in which the client chooses to trade and circulars/notices issued thereunder or Rules and Regulations of SEBI.
53. 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.
54. 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 within the stock exchanges, if either party is not satisfied with the arbitration award.
55. 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.
56. All additional voluntary clauses/document added by the Member 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.
57. If the rights and obligations of the parties hereto are altered by virtue of change in Rules and regulations of SEBI or Bye-laws, Rules and Regulations of the relevant stock Exchanges where the trade is executed, such changes shall be deemed to have been incorporated herein.

## Additional Rights & Obligations (Voluntary)

1. The Member may set off outstanding in any of the Client's accounts against credits available or arising in any other accounts maintained with the Member irrespective of the fact that such credits in the accounts may pertain to transactions in any segment of the Exchange and/or against the value of cash margin or collateral shares provided to the Member by the Client.
2. The Member may keep all the securities/commodities which the Client may give to the Member in margin including the payout of commodities received, to use the commodities for meeting margin/other obligation in the exchanges in whatever manner which may include pledging of shares in favour of bank and/or taking loan against the same for meeting margin/ payin obligation on Client's behalf or for giving the same as margin to the Exchange.
3. Unless otherwise instructed the Member may retain Commodities in its Demat account for Client's margin/future obligations at the Exchanges.
4. Where the Client has relationship with the Member on more than one Commodity Exchange the Member will treat the relationship in all the commodity exchanges as co-extensive and may make transfer, make adjustments and/or set off a part or whole of the securities/Commodities placed as margin and/or any surplus funds in any of the account of the Client for any of the commodities exchanges against the outstanding dues payable, if any, by the Client in any of his account/(s) maintained with Member. The Member shall have right of lien on the credit balance in any of account of the Client for dues against any other account of the Client. Any entries passed by the Member in accordance with this provision shall be binding on the Client.
5. Unless otherwise instructed in writing the Member may consider Client's telephonic instructions for order placing/order modification/order cancellation as a written instruction and give to the Client all the confirmation on telephone.
6. Trading of Commodities is in Electronic Mode, based on VSAT, leased line, ISDN, Modem and VPN, combination of technologies and computer systems to place and route orders. The Client understands that there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, of any such other problem/glitch whereby not being able to establish access to the trading system/ network, which may be beyond your control and may result in delay in processing or note processing buy or sell Orders either in part or in full. The Client shall bear all consequences of such problems/glitch and shall not hold the Member responsible for it.
7. The Client confirms he will never sublet the trading terminal on any term of connectivity, from my place to any other place without the Member's prior written approval.
8. The Client agrees that if he fails to meet his funds pay-in obligation in respect of any one or more commodities purchased by him before the scheduled pay-in date, the Member shall be at liberty to sell the commodities received in pay-out, in proportion to the amount not received, after taking into account any amount lying to the Client's credit, by selling equivalent commodities at any time after the scheduled Pay-in time on the Exchange. If the Member does not sell the commodities within five trading days after the date of Pay-in for any reason whatsoever, such commodities shall be deemed to have been closed out at closing price declared by the exchange for the fifth trading day. The Client agrees that the loss, if any, on account of the close out shall be to his account.
9. The Client further agrees that if he fails to deliver any one or more commodities to the Member's pool account in respect of the commodities sold the Client before the pay-in date notified by the Exchange from time to time, such undischarged obligation(s) in relation to delivering any one or more commodities shall be deemed to have been closed out at the auction price or closing price, as may be debited to him in respect of the commodity for the respective settlement, to the extent traceable to him on his failure to deliver; otherwise the closing price on the date of payout in respect of the relevant commodities, declared by the Exchange. The Client acknowledges that the loss, if any, on account of the close out shall be debited to his account. The Client further agrees that if for any reason, schedule of pay-out is modified, the aforesaid shall be made applicable reckoning the actual date of pay-in and /or pay-out, as the case may be.

10. The Client agrees that if he fails to meet his funds pay-in obligation in respect of any one or more contracts purchased by him before the scheduled pay-in date, the Member shall be at liberty to square off any open position in the Client's account in proportion to the amount not received, after taking into account any amount lying to his credit, at any time after the scheduled Pay-in time on the Exchange. The Client agrees that the loss, if any, on account of the said squaring off shall be to the account of the Client. The Client acknowledges that the Member will make available the delivery against the Client's purchases only if there are no dues against the Client. Any change in any of the above voluntary/non-mandatory clauses will have to be preceded by a notice of 15 days. The Member and the Client understand that none of the above voluntary/non-mandatory clause is in contravention with the Rules/Business Rules/Notices/Circulars of Exchanges or SEBI/FMC. If any of the above clauses or part thereof is found to be or becomes in such contravention, it shall be of no effect to the extent of contravention.

## Internet & Wireless Technology based Trading Facility provided by Member to the Client

1. Member 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 Member shall comply with all requirements applicable to internet-based trading/securities/commodities 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/commodities and for this purpose, the client is desirous of using either the internet-based trading facility or the facility for securities/commodities trading through use of wireless technology. The Member shall provide the Member's IBT Service to the Client, and the Client shall avail of the Member's IBT Service, on and subject to SEBI/Exchanges Provisions and the terms and conditions specified on the Member's IBT Web Site provided that they are in line with the norms prescribed by Exchanges/SEBI.
3. The Member shall bring to the notice of client the features, risks, responsibilities, obligations and liabilities associated with securities/commodities trading through wireless technology/internet/smart order routing or any other technology should be brought to the notice of the client by the Member.
4. The Member shall make the client aware that the Member'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 Member'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/commodities trading through wireless technology through order routed system and undertakes to ensure that the password of the client and/or his authorized representative are not revealed to any third-party including employees and dealers of the Member.
6. The Client shall immediately notify the Member in writing if he forgets his password, discovers security flaw in Member'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/commodities trading through wireless technology and Client shall be fully liable and responsible for any and all acts done in the Client's Username/password in any manner whatsoever.
8. The Member shall send the order/trade confirmation through email to the client at his request. The client is aware that the order/ trade confirmation is also provided on the web portal. In case client is trading using wireless technology, the Member shall send the order/trade confirmation on the device of the client.
9. The client is aware that trading over the internet involves many uncertain factors and complex hardware, software, systems, communication lines, peripherals, etc. are susceptible to interruptions and dislocations. The Member and the Exchange do not make any representation or warranty that the Member's IBT Service will be available to the Client at all times without any interruption.
10. The Client shall not have any claim against the Exchange or the Member on account of any suspension, interruption, non-availability or malfunctioning of the Member's IBT System or Service or the Exchange's service or systems or non-execution of his orders due to any link/system failure at the Client/Members/Exchange end for any reason beyond the control of the Member/Exchanges.

## Guidance Note — Do's & 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 [www.nseindia.com](http://www.nseindia.com), <https://www.mcxindia.com/membership/notice-board/Member-AP-Details>. and <http://sebi.gov.in>.
2. Ensure that you fill the KYC form completely and strike off the blank fields in the KYC form.
3. Insist on getting a Unique Client Code (UCC) and ensure all your trades are done under the said UCC.
4. Ensure that you have read all the mandatory documents viz. Rights and Obligations, Risk Disclosure Document, Policy and Procedure document of the Member.
5. 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.
6. 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.
7. Obtain a copy of all the documents executed by you from the Member free of charge.
8. In case you wish to execute Power of Attorney (POA) in favour of the Member, authorizing it to operate your bank and demat account, please refer to the guidelines issued by SEBI/Exchanges in this regard.

### Transactions & Settlements

9. Don't share your internet trading account's password with anyone.
10. The Member may issue electronic contract notes (ECN) if specifically authorized by you in writing. You should provide your email id to the Member for the same. Don't opt for ECN if you are not familiar with computers.
11. 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.
12. 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.
13. Cross check the genuineness of trades carried out at the Exchange through the trade verification facility available on the Exchange website. The trades can be verified online where trade information is available up to 5 working days from the trade date. 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.
14. Obtain receipt for collaterals deposited with the Member towards margins.
15. Don't make any payment in cash to the Member.
16. 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.
17. Ask all relevant questions and clear your doubts with your Member before transacting.
18. Insist on receiving the bills for every settlement.
19. 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.

20. Scrutinize minutely both the transaction & holding statements that you receive from your Depository Participant.
21. Keep Delivery Instruction Slips (DIS) book issued by DPs in safe possession.
22. Ensure that the DIS numbers are preprinted and your account number (UCC) is mentioned in the DIS book.
23. Freeze your Demat account in case of your absence for longer duration or in case of not using the account frequently.
24. Pay required margins in time and only by cheque or online transfer and ask for receipt thereof from the Member.
25. Deliver the security/commodity in case of sale or pay the money in case of purchase within the time prescribed.
26. Understand and comply with accounting standards for derivatives.
27. Make the payments by account payee cheque in favour of the Member. Ensure that you have a documentary proof of your payment/deposit of security/commodity 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.
28. Make the payments by account payee cheque in favour of the Member. Don't issue cheques in the name of Authorised Person. Ensure that you have a documentary proof of your payment/deposit of securities with the Member, stating date, scrip, quantity, towards which bank/ demat account such money or securities deposited and from which bank/demat account.
29. 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 Member shall maintain running account for you subject to the following conditions:
  - 29.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.
  - 29.b. The actual settlement of funds and securities/commodities shall be done by the Member, at least once in a calendar quarter or month, depending on your preference. While settling the account, the Member 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/commodities. The statement shall also explain the retention of funds and securities/commodities and the details of the pledged shares, if any.
  - 29.c. On the date of settlement, the Member may retain the requisite securities/commodities/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 Member may retain entire pay-in obligation of funds and securities/commodities due from clients as on date of settlement and for next day's business, he may retain funds/securities/commodities/margin to the extent of value of transactions executed on the day of such settlement in the cash market.
  - 29.d. You need to bring any dispute arising from the statement of account or settlement so made to the notice of the Member in writing preferably within 7 (seven) working days from the date of receipt of funds/securities/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 exchanges without delay.
30. 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 Member. In case there is dispute, ensure that you lodge a complaint in writing immediately with the Investors Grievance Cell of the relevant Exchange.

31. 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 stock exchanges.
32. 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.

### In case of Termination of Trading Membership

33. In case, a Member 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.
34. Familiarize yourself with the protection accorded to the money and/or securities you may deposit with your Member, particularly in the event of a default or the Member'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

35. Please note that the details of the arbitration proceedings, penal action against the brokers and investor complaints against the Members are displayed on the website of the relevant Stock exchange.
36. In case your issue/problem/grievance is not being sorted out by concerned Member/Authorised Person 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.
37. Note that all the Member/Authorised Persons 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.

### Don't

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 security/commodity 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 security/commodity, 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.



## Policies & Procedures

### 1. Refusal of orders for penny/illiquid stock

The Member may from time-to-time limit (quantity/value)/refuse orders in one or more securities/commodities due to various reasons including market liquidity, value of security(ies), the order being for securities/commodities which are not in the permitted list of the Member/exchange(s)/SEBI. Provided further that Member may require compulsory settlement/advance payment of expected settlement value/delivery of securities/commodities for settlement prior to acceptance/placement of order(s) as well. The client agrees that the trade related losses, if any on account of such refusal or due to delay caused by such limits, shall be borne exclusively by the client alone. The Member may require reconfirmation of orders, which are larger than that specified by the Member's risk management and is also aware that the Member has the discretion to reject the execution of such orders based on its risk perception.

### 2. Setting up client's exposure limits and conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client

The Member may from time to time impose and vary limits on the orders that the client can place through the Member's trading system (including exposure limits, turnover limits, limits as to the number, value and/or kind of securities/commodities in respect of which orders can be placed etc.). The client is aware and agrees that the Member may need to vary or reduce the limits or impose new limits urgently on the basis of the Member's risk perception and other factors considered relevant by the Member including but not limited to limits on account of exchange/ SEBI directions/limits ( such as broker level/ market level limits in security specific/volume specific exposures etc.) , and the Member may be unable to inform the client of such variation, reduction or imposition in advance. The client agrees that the Member shall not be responsible for such variation, reduction or imposition or the client's inability to route any order through the Member's trading system on account of any such variation, reduction or imposition of limits. The client further agrees that the Member 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 the Member, or it may subject any order placed by the client to a review before its entry into the trading systems and may refuse to execute/allow execution of orders due to but not limited to the reason of lack of margin/securities or the order being outside the limits set by Member/exchange/ SEBI and any other reasons which the Member may deem appropriate in the circumstances.

The client agrees that trade related losses, if any on account of such refusal or due to delay caused by such review, shall be borne exclusively by the client alone. The Member is required only to communicate/advise the parameters for the calculation of the margin/security requirements as rate(s)/percentage(s) of the dealings, through anyone or more approved means or methods such as post/speed post/courier/registered post/registered A.D/facsimile/e- mail/voice mails/telephone (telephone includes such devices as mobile phones etc.) including SMS on the mobile phone or any other similar device; by messaging on the computer screen of the client's computer; by informing the client through employees/agents of the Member; by publishing/displaying it on the website of the Member/making it available as a download from the website of the Member; by displaying it on the notice board of the branch/office through which the client trades or if the circumstances, so require, by radio broadcast/television broadcast /newspapers advertisements etc; or any other suitable or applicable mode or manner.

The client agrees that the postal department/the courier company/newspaper company and the e-mail/voice mail service provider and such other service providers shall be the agent of the client. Once parameters for margin/security requirements are so communicated, the client shall monitor his/her/its position (dealings/trades and valuation of security) on his/her/its own and provide the required/deficit margin/security forthwith as required from time to time.

The client is not entitled to trade without adequate margin/security and that it shall be his/her/its responsibility to ascertain beforehand the margin/security requirements for his/her/its orders/trades/deals and to ensure that the required margin/security is made available to the Member in such form and manner as may be required by the Member. If the client's order is executed despite a shortfall in the available margin, the client

shall make up the shortfall immediately. The client further agrees that he/she/it shall be responsible for all orders (including orders that may be executed without the required margin in the client's account) &/or any trade related claim/loss/damage arising out of the nonavailability/shortage of margin/security required by the Member &/or exchange &/or SEBI.

The Member is entitled to vary the form (i.e., the replacement of the margin/security in one form with the margin/security in any other form, say, in the form of funds instead of shares) &/or quantum &/or percentage of the margin &/or security required to be deposited/made available, from time to time.

The margin/security deposited by the client with the Member are not eligible for any interest. The Member is entitled to include/appropriate any/all payout of funds &/or securities/commodities towards margin/security without requiring specific authorizations for each payout.

The Member is entitled to transfer funds &/or securities from his account for one exchange &/or one segment of the exchange to his/her/its account for another exchange &/or another segment of the same exchange whenever applicable and found necessary by the Member.

The client also agrees and authorises the Member to treat/adjust his/ her/its margin/security lying in one exchange &/or one segment of the exchange/towards the margin/security/pay in requirements of another exchange &/or another segment of the exchange.

The Member is entitled to disable/freeze the account &/or trading facility/any other service. facility, if, in the opinion of the Member, the client has committed a crime/fraud or has acted in contradiction of the Mandatory and Voluntary Client Registration Documents or/is likely to evade/violate any laws, rules, regulations, directions of a lawful authority whether Indian or foreign or if the Member so apprehends.

### 3. Applicable brokerage rate

The Member is entitled to charge brokerage within the limits imposed by exchange which at present is as under:

- a. For Cash Market Segment: The maximum brokerage chargeable in relation to trades effected in the securities admitted to dealings on the Capital Market segment of the Exchange shall be 2.5 % of the contract price exclusive of statutory levies. It is hereby further clarified that where the sale/purchase value of a share is Rs.10/- or less, a maximum brokerage of 25 paise per share may be collected.
- b. For Option contracts: Brokerage for option contracts shall be charged on the premium amount at which the option contract was bought or sold and not on the strike price of the option contract. It is hereby clarified that brokerage charged on options contracts shall not exceed 2.5% of the premium amount or Rs 100/- (per lot) whichever is higher.

### 3. Imposition of penalty/delayed payment charges

The client agrees that any amounts which are overdue from the client towards trading or on account of any other trade related reason to the Member will be charged with delayed payment charges at 0.05% per day. The client agrees that the Member may impose fines/penalties at 0.05% per day for any orders/trades/deals/actions of the client which are contrary to the Mandatory and Voluntary Client Registration Documents/rules/regulations/bye laws of the exchange or any other law for the time being in force. Further where the Member has to pay any fine or bear any punishment from any authority in connection with/as a consequence of/in relation to any of the orders/trades/deals/actions of the client, the same shall be borne by the client. The client agrees to pay to the Member brokerage, commission, fees, all taxes, duties, levies imposed by any authority including but not limited to the stock exchanges.

### 4. The right to sell clients' securities or close clients' positions, without giving notice to the client, on account of non-payment of client's dues. (Limited to Margin/Settlement Obligations)

The Member maintains centralized banking and securities handling processes and related banking and depository accounts at designated place. The client shall ensure timely availability of funds/securities in designated form and manner at designated time and in designated bank and depository account(s) at designated place, for meeting his/her/its pay in obligation of funds and securities. The Member shall not be responsible for any claim/loss/damage arising out of non-availability/short availability of funds/securities by the client in the designated account(s) of the Member for meeting the pay in obligation of either funds or securities. If the client gives orders/trades in the anticipation of the required securities being available subsequently for pay in through anticipated payout from the exchange or through borrowings or any off market delivery(s) or market delivery(s) and if such anticipated availability does not materialize in actual availability of securities/funds for pay in for any reason whatsoever including but not limited to any delays/shortages at the exchange or Member level/non release of margin by the Member etc., the losses which may occur to the client as a consequence of such shortages in any manner such as on account of auctions/square off/closing outs etc., shall be solely to the account of the client and the client agrees not to hold the Member responsible for the same in any form or manner whatsoever. In case the payment of the margin/security is made by the client through a bank instrument, the Member shall be at liberty to give the benefit/credit for the same only on the realization of the funds from the said bank instrument etc. at the absolute discretion of the Member. Where the margin /security is made available by way of securities or any other property, the Member is empowered to decline its acceptance as margin/security &/or to accept it at such reduced value as the Member may deem fit by applying haircuts or by valuing it by marking it to market or by any other method as the Member may deem fit in its absolute discretion.

The Member 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 mentioned on the website, whichever is earlier. The Member 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 trade related losses based on actual executed prices.

In case open position (Le. short/long) gets converted into delivery due to non-square off because of any reason whatsoever, the client agrees to provide securities/funds to fulfil the payin obligation failing which the client will have to face auctions or internal close outs; in addition to this the client will have to pay penalties and charges levied by exchange in actual and losses, if any. Without prejudice to the foregoing, the client shall also be solely liable for all and any penalties and charges levied by the exchange(s).

The Member is entitled to prescribe the date and time by which the margin/security is to be made available and the Member may refuse to accept any payments in any form after such deadline for margin/security expires. Notwithstanding anything to the contrary in the Mandatory and Voluntary Client Registration Documents or elsewhere, if the client fails to maintain or provide the required margin/ fund/security or to meet the funds/margins/ securities pay in obligations for the orders/trades/deals of the client within the prescribed time and form, the Member shall have the right without any further notice or communication to the client to take any one or more of the following steps:

- a. To withhold any payout of funds/securities.
- b. To withhold/disable the trading/dealing facility to the client.
- c. To liquidate one or more security(s) of the client by selling the same in such manner and at such rate which the Member may deem fit in its absolute discretion. It is agreed and understood by the client that securities here include securities which are pending delivery/receipt.
- d. To liquidate/square off partially or fully the position of sale &/or purchase in anyone or more securities/contracts in such manner and at such rate which the Member may decide in its absolute discretion.
- e. To take any other steps which in the given circumstances, the Member may deem fit. The client agrees that the trade related loss(s) if any, on account of anyone or more steps as enumerated herein above being taken by the Member, shall be borne exclusively by the client alone and agrees

not to question the reasonableness, requirements, timing, manner, form, pricing etc., which are chosen by the Member.

#### 5. Shortages in obligations arising out of internal netting of trades

The settlement of trades on the Stock Exchange/Clearing Corporation is processed on a net basis, aligned to a settlement number. When clients who have conducted delivery sale transactions fail to deliver stocks towards their obligations, and other clients have made corresponding (counter) purchases during the same settlement, the failure to deliver the shares leads to the purchasing clients not receiving the shares. This situation is referred to as an Internal Shortage.

Zerodha has appointed NSE Clearing Limited (NCL) as our designated Clearing Corporation. NCL is responsible for clearing all trades carried out by Zerodha's clients.

To facilitate the resolution of internal shortages, we have implemented the "Facility for Voluntary Auction for Internal Shortages." This mechanism allows participants to auction off any internal shortages they may have before facing penalties or forced buy-ins. Zerodha shares with the Stock Exchange a list of all stocks for which a voluntary auction has to be conducted

In the event of a short delivery by a client, they will be debited an amount equivalent to 20% above the closing rate of the day of sale. The securities that were short-delivered will be purchased from the NSE Clearing Ltd in Voluntary Auction Facility on the auction day. The purchase consideration, inclusive of all statutory taxes, levies, and fees, will then be transferred to the account of the client who sold and short-delivered the securities

Furthermore, the provisional margin entry posted on the client's account will be subsequently reversed.

- a. In cases where securities cannot be purchased from the voluntary auction due to any force majeure condition(s), the trades will be settled through a 'closeout.' The closeout amount will be equivalent to the highest price prevailing in the NSE from the day of trading until the auction day, or 20% above the official settlement price on the auction day, whichever is higher. This amount will be debited from the client's account who sold and did not deliver the securities, and a subsequent credit will be given to the buyer of the securities who did not receive delivery.
- b. Additionally, after the netting off of securities between equity market & derivative trades, all internal shortages arising out of non-delivery of securities will also be handled via the Voluntary auction mode. In the event that for any unforeseen reason, we are unable to take part in the voluntary auction, or where internal shortage was reported but auction was not successful then the transaction will be settled through a 'closeout.' The closeout amount will be equivalent to the highest price prevailing in the NSE from the day of trading until the auction day, or 20% above the official settlement price on the auction day, whichever is higher. This amount will be debited from the client's account who sold and did not deliver the securities, and a subsequent credit will be given to the buyer of the securities who did not receive delivery.

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

We have margin-based RMS System. Client may take exposure up to the amount of margin available with us. Client may not be allowed to take position in case of non-availability/ shortage of margin as per our RMS policy of the company. The existing position of the client is also liable to square off/ close out without giving notice due to shortage of margin/non making of payment for their pay-in obligation/outstanding debts.

#### 7. De-registering a client

Notwithstanding anything to the contrary stated in the Mandatory and Voluntary Client Registration Documents the Member shall be entitled to terminate the Mandatory and Voluntary Client Registration Documents with immediate effect in any of the following circumstances:

- a. If the action of the Client are prima facie illegal/ improper or such as to manipulate the price of any securities or disturb the normal/proper functioning of the market, either alone or in conjunction with others.
- b. If there is any commencement of a legal process against the Client under any law in force.
- c. On the death/lunacy or other disability of the Client.
- d. 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.
- e. 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 for Industrial and Financial Reconstruction or under any other law providing protection as a relief undertaking.
- f. If the Client being a partnership firm, has any steps taken by the Client and/ or its partners for dissolution of the partnership.
- g. If the Client have taken or suffered to be taken any action for its reorganization, liquidation or dissolution.
- h. If the Client has made any material misrepresentation of facts, including (without limitation) in relation to the Security.
- i. If there is reasonable apprehension that the Client is unable to pay its debts or Client has admitted its inability to pay its debts as they become payable.
- j. If the Client suffers any adverse material change in his/her/its financial position or defaults in any other agreement with the Member.
- k. If the Client is in breach of any term, condition or covenant of this Mandatory and Voluntary Client Registration Documents.
- l. If any covenant or warranty of the Client is incorrect or untrue in any material respect.

However notwithstanding any termination of the Mandatory and Voluntary Client Registration Documents, all transactions made under/pursuant to this Mandatory and Voluntary Client Registration Documents shall be subject to all terms and conditions of this Mandatory and Voluntary Client Registration Documents and parties to this Mandatory and Voluntary Client Registration Documents submit to exclusive jurisdiction of courts of law at the place of execution of this Mandatory and Voluntary Client Registration Documents by Member. Client Acceptance of Policies and Procedures stated here in above:

I/We have fully understood the same and do hereby sign the same. These Policies and Procedures may be amended/changed by the broker, provided the change is informed to me/us with through anyone or more approved means or methods such as post/speed post/courier/registered post/registered AD/telegram/e-mail/voice mails/telephone (telephone includes such devices as mobile phones etc.) including SMS on the mobile phone or any other similar device; by messaging on the computer screen of the client's computer; by informing the client through employees/agents of the Member; by publishing/displaying it on the website of the Member/making it available as a download from the website of the Member; by displaying it on the notice board of the branch/office through which the client trades or if the circumstances, so require, by radio broadcast/television broadcast/newspapers advertisements etc; or any other approved suitable or applicable mode or manner by an advance notice of 15 days.

I/we agree that the postal department/the courier company /newspaper company and the voicemail/e-mail service provider and such other service providers shall be my/our agent. These Policies and Procedures shall always be read along with the Mandatory and Voluntary Client Registration Documents and shall be compulsorily referred to while deciding any dispute/difference or claim between me/us and Member before any court of law/judicial/adjudicating authority including arbitrator/mediator etc.

8. Temporarily suspending or closing client's account at Client's request

On the written request of the client, the client account can be suspended temporarily and can be re-activated on the written request of the client only. During suspension period, the market transaction will be prohibited. However client's pending settlement can take place. ZERODHA can withhold the payouts of client and suspend his trading account due to surveillance action or judicial or /and regulatory order/action requiring client suspension. On the written request of the client, the client account can be closed provided the client adheres to formalities for account closure including settlement of all dues in the account and closing of all open position. If the client wishes to again open a broking account then the client shall have to complete the KYC and account opening formalities once again.

#### 9. Policy for Dormant Accounts

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

- a. No purchase or sale transaction in the Cash Segment of NSE & BSE.
- b. No purchase or sale transaction in the Derivative segment of NSE, BSE.
- c. No purchase or sale transaction in the Commodity Derivative segment of NSE & MCX.
- d. No purchase or sale transaction in the Currency Derivative segment of NSE.
- e. No Bank Receipts or Payments (Client Funds Pay-in or Pay-out).
- f. Any other Financial or Security transaction as provided on the website or through the offline mode affecting the common ledger of the customer maintained in the back office for Zerodha.
- g. Not logged in with security token.

On classification of any account as dormant account as stated above, Zerodha will inform the client within seven days of such classification. A dormant account can be re-activated on receipt of a request for reactivation along with valid proof of identity. These policies and procedures can be changed by Zerodha from time to time with prior notice of 15 days.



# Risk Disclosure Document

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

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 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, commodities, derivatives contracts or other instruments traded on the 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 exchanges and suffer adverse consequences or loss, you shall be solely responsible for the same and 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 member. 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 the exchanges.

It must be clearly understood by you that your dealings on exchanges through a member shall be subject to your fulfilling certain formalities set out by the member, 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 exchanges, its Clearing Corporation, guidelines prescribed by SEBI and in force from time to time and Circulars as may be issued by exchanges or its Clearing Corporation and in force from time to time.

Exchanges do 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 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, 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 Rumours

Rumours about companies/commodities/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 rumours.

### 1.7. System Risk

1.7.1. 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.

1.7.2. 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.

1.7.3. 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.

- 2.1.1. 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.
- 2.1.2. 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.
- 2.1.3. 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.
- 2.1.4. 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.
- 2.1.5. 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

- 2.2.1. 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.
- 2.2.2. 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.
- 2.2.3. 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

- 2.3.1. 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.
- 2.3.2. The Exchanges may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.

### 2.4. Risk of Option Writers

- 2.4.1. If the price movement of the underlying is not in the anticipated direction, the option writer runs the risks of losing substantial amount.
- 2.4.2. 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.
- 2.4.3. Transactions that involve buying and writing multiple options in combination, or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single option. And it should be further noted that, as in any area of investing, a complexity not well understood is, in itself, a risk factor. While this is not to suggest that combination strategies should not be considered, it is advisable, as is the case with all investments in options, to consult with someone who is experienced and knowledgeable with respect to the risks and potential rewards of combination transactions under various market circumstances.

### 3. Trading through wireless technology/smart order routing or any other technology:

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

### 4. General

- 4.1. The term 'constituent' shall mean and include a client, a customer or an investor, who deals with a member for the purpose of acquiring and/or selling of securities/commodities/derivatives contracts through the mechanism provided by the Exchanges.

4.2. The term 'member' shall mean and include a Trading Member or a Member/Broker, who has been admitted as such by the Exchange and holds a registration certificate 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 sells his option in the secondary market nor exercises it prior to its expiration will necessarily lose his entire investment in the option. If the price of the underlying does not change in the anticipated direction before the option expires, to an extent sufficient to cover the cost of the option, the investor may lose all or a significant part of his investment in the option.
2. The Exchanges may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.

### Risks of option writers

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

## Procedure to lodge a complaint online on SEBI SCORES

1. From 1st August 2018, it has been made mandatory to register on SEBI SCORES (<https://scores.sebi.gov.in/>) for lodging a complaint.
2. To become a registered user of SCORES, investors may click on “Register here” under “Investor Corner” appearing on the homepage of SCORES portal. Investors will have to fill in Registration form. Fields like Name, Address, E-mail Address, PAN and Mobile Number are mandatory fields and are required to be filled up. The username and password of SCORES will be sent to the investor’s registered email id. If an investor is already a registered user, they can login by entering their username and password.
3. After logging into SCORES, investors must click on “Complaint Registration” under “Investor Corner”.
4. Investor should provide complaint details.
5. Investors must select the correct complaint category, entity name, and nature of complaint.
6. Investors must provide complaint details in brief (up to 2000 characters).
7. A PDF document (up to 2MB of size for each nature of complaint) can also be attached along with the complaint as supporting document.

On successful submission of complaint, system generated unique registration number will be displayed on the screen which may be noted for future correspondence. An email acknowledging the complaint with complaint registration number will also be sent to the email id entered in the complaint registration form. A text message will also be sent to the investor informing them about registration of the complaint.