

**POLICIES AND PROCEDURES**
**Pursuant to SEBI's Circular MISRD/SE/Cir-19/2009 dated December 3, 2009**

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

**1. Refusal of orders for penny / illiquid stocks:**

Penny / illiquid stocks are generally considered to be highly speculative and high risk bearing because of their lack of liquidity, large bid-ask spread, small capitalization and limited compliance and disclosure. Hence depending on the market condition and Risk perception, KSPL will identify such stocks as Penny stocks or illiquid stocks, KSPL may from time to time refuse limit orders in such stocks either based on quantity or value without any reasons given to the client. KSPL does not advice/encourage trading in penny stocks.

The penny stock or illiquid stock would be identified based on, including but not limited to, following criteria:

- Illiquid stock identified by the Stock exchange(s) on periodic basis.
- Any other stock which KSPL considers illiquid based on its own criteria.

Under exceptional circumstances and considering merits on case to case basis, trading in penny stocks may be allowed to clients subject to stringent verifications of the client holdings, intentions and bonafide reasons given by the clients, trading history of the client, clients traded volumes vis-a-vis market volumes. Reasons for entering into penny stocks trade should be submitted as a declaration by client Trading in penny stock or illiquid stock may not be allowed on a regular basis to the client. If it is observed that client(s) is/are indulging in trading activities only in penny stocks/ illiquid stock(s).the client account maybe immediately suspended without any reasons being given to the client

Further KSPL may require compulsory settlement / advance payment of expected settlement value / delivery of securities for settlement or taking additional margin prior to acceptance / placement of order(s). The client agrees that the losses, if any, on account of such refusal or due to delay caused, shall be borne exclusively by the client alone, KSPL may require reconfirmation of orders, which are larger than that specified by KSPL's risk management policy and KSPL has the discretion to reject the execution of such orders based on its risk perception. Such trades will be allowed only for cash and carry transactions.

**2. Setting up client's exposure limits.**

As a part of sound risk management policy of KSPL, the client will not be allowed to place orders in far month's contract i.e. any order having expiry cycle of three months (far away contracts ) in the Derivatives Segment.

In the event of crossing of Market Wide Position Limit (MWPL) (in terms of the number of open positions in underlying security) specified by SEBI / Exchange in a security and a security being under ban / restriction period, the client shall not be allowed to take new / further position in the said security during such ban / restriction period, and the client shall be allowed to trade only to decrease his/ her / its position through offsetting positions in the said security during which the ban / restriction on fresh position is in force for the said security.

In the event of crossing Trading Member Position Limit (TIVIPL) and / or Client Level Position Limit (CLPL), whether the security is under ban/ restriction period or not, the clients shall not be allowed to take new / further position in the said security and the clients shall be allowed to trade only to decrease his/ her / its position through offsetting positions in the said security till the Trading Member Position Limit (TMPL) and/ or Client Level Position Limit (CLPL) comes within the permissible trading limit in the said security.

KSPL may from time to time impose and vary limits / margins requirement on the orders that the client can place through the stockbroker's trading system (including exposure/margin limits, turnover limits, limits as to the number, value and/or kind of securities in respect of which orders can be placed etc.). The client is aware and agrees that KSPL may need to vary or reduce the limits or impose new limits urgently on the basis of KSPL's risk perception and other factors considered relevant by KSPL 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 KSPL may be unable to inform the client of such variation. reduction or imposition in advance. The client agrees that KSPL shall not be responsible for such variation, reduction or imposition or the client's inability to route any order through KSPL's trading system on account of any such variation, reduction or imposition of limits, The client further agrees that KSPL may at anytime, at its sole discretion and without prior notice prohibit or restrict the client's ability to place orders or trade in securities through KSPL 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 the reason of lack of margin/ securities or the order being outside the limits set by KSPL / exchange / SEBI and any other such reasons which KSPL may deem appropriate in the circumstances. The client agrees that the losses, if any on account of such refusal, or due to delay caused by such review, shall be borne exclusively by the client alone.

The margin requirement of client may be changed due to but not limited to, the following factors —, market volatility, risk management policy of KSPL. KSPL will communicate / advise the parameters for the calculation of the margin / security requirements as rate(e) / percentage(s) of the dealings and/or as SPAN requirement, through any one or more means or methods such as by messaging on the computer screen of the client's computer: by informing the client through employees / agents of KSPL: by publishing / displaying it on the website of KSPL / making it available as a download from the website of KSPL or any other suitable or applicable mode or manner., 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 whether or not any margin call or such other separate communication to that effect is sent by KSPL to the client and /or whether or not such communication is received by the client.

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 KSPL in such form and manner as may be required by KSPL. If the client's order is executed despite a shortfall in the available margin due to any technical glitch the client, shall, whether or not KSPL intimates such shortfall in the margin to the client, make up the shortfall sue mote immediately. The client further agrees that he /she / it shall be responsible for all orders (including any orders that may be executed without the required margin in the client's account) & / or any claim / loss /damage arising out of the non availability /shortage of margin /security required by KSPL & / or exchange & / or SEBI.

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

The margin / security deposited by the client with KSPL are not eligible for any interest. KSPL is entitled to include / appropriate any / all pay out of funds & / or securities towards margin / security without requiring specific authorizations for each payout. KSPL is entitled to transfer funds&/ or securities from his account for one exchange & for one segment of the exchange to his / her Its account for another exchange & for another segment of the same exchange whenever applicable and found necessary by KSPL. The client also agrees and authorises KSPL to treat /adjust his / her fits 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.

KSPL is entitled to withhold the securities received from the exchange as payout if there is a negative ledger balance in the clients account.

KSPL is entitled to disable freeze the account & / or trading facility / any other service facility, if, in the opinion of KSPL, the client has committed a crime / fraud or has acted in contradiction of this documents/Rights and Obligationsor / is likely to evade / violate any laws, rules, regulations. directions of a lawful authority whether Indian or foreign or if KSPL so apprehends.

### **3. Applicable Brokerage Rates:**

KSPL is entitled to charge brokerage within the limits imposed by exchanges from time to time.

The brokerage to be charged by KSPL shall be exclusive of all statutory levies such as services Tax, Stamp duty, SEBI turnover fees, Securities Transaction Tax and other taxes and transaction expenses as they exist from time to time and as they apply to the account and transactions of the Clients and for the services rendered to the Clients. Any revision in brokerage will be made only after giving 15 days notice by way of communication through email.

in order to provide competitive advantage and scale of economy and operations to the clients, KSPL will provide new / innovative and economical Brokerage Rate Structure as mentioned / made available on the Website / portal of KSPL and as may be mutually agreed and modified from time to time. It shall however be ensured that the Brokerage shall not exceed maximum permissible under the applicable regulations.

### **4. Imposition of penalty delayed payment charges:**

The client agrees that any amounts which are overdue from the client towards trading or on account of any other reason (including shortfall in margin requirement or margin provided in form of collateral in lieu of cash margin) to KSPL will be charged with Delayed Payment Interest (DPI) / penalty at such rates as may be determined by KSPL. Further where KSPL 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 KSPL brokerage, all taxes, duties levies imposed by regulatory authorities, transaction expenses, incidental expenses such as postage, courier etc. as they apply from time to time to the client's account | transactions | services that the client avails from KSPL.

The penalty / DPI imposed by KSPL shall be debited to the account/ ledger of the clients. Any change f revision in the scale of penalty / DPI will be informed to the clients through email. If KSPL has to pay fine/bear any penalty

levied by any authority in connection with /as consequence of any orders/trades/deals/actions of client, the same shall be recovered from the client.

In Derivatives segment, DPI will be levied from T day on the ledger debits. DPI on non-cash margin will be levied from T day onwards. In Cash segment, DPI will be levied from T+2 day onwards.

**5. Right to sell client's securities or close client's positions without giving notice to the client, on account of non-payment of client's dues.**

KSPL has margin based RMS system; client may take exposure up to the amount of margin available with us and/ or collaterals pledged with us. Client may not be allowed to take position in case of non-availability/ shortage of margin as per RMS policy of KSPL. The existing position of the client and/ or shares pledged with us as collateral are also liable to be squared off / closed out without giving notice due to shortage of margin / non making of payment for their pay in obligation / outstanding debts. KSPL will have the right to close out all open positions and/ or sell client's securities and/ or shares pledged with us as collateral, without any notice to clients, as and when the client defaults in his settlement/sale delivery/margin/MTM obligations in any segment of the exchanges. The dose out/selling will be only to extent of shortages in Margins, MTM or settlement obligations on all segments of exchange(s).

It is advised to the client to monitor his positions at all times and replenish any shortfall so arising. KSPL reserves the right to square off any position during the day in cash as well as F&O segments and/ or liquidate collaterals due to sudden fall in market price of the shares in which position is taken or in diminution in the value of collaterals, without prior intimation to the client. The client shall be solely responsible for any kind of losses incurred due to such square off / liquidation.

In case the payment of the margin f security is made by the client through a bank instrument, KSPL 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 KSPL. Where the margin security is made available by way of securities, KSPL is empowered to decline its acceptance as margin / security & / or to accept it at such reduced value as KSPL may deem fit by applying haircuts or by valuing it by marking it to market or by any other method as KSPL may deem fit in its absolute discretion. Usage of Collateral at discretion of broker

Client collateral should not be used for any purpose other than meeting the respective client margin.KSPL has the right but not the obligation to adjust the Collateral deposited by the Client against his / her / its settlement / margin obligation. The client shall ensure replenishment of Collateral on account of diminution of values of Collaterals on account of non-cash corporate action initiated by the concerned company whose securities are deposited by the client with KSPL as Collateral. In the event of diminution of values of Co'laterals, KSPL has the right but not the obligation to square off / close outs the open position of the Client. Any and all losses and financial charges on account of such liquidation/closing out shall be charged to and borne by the client. KSPL has the right but not the obligation, to cancel all pending orders and to sell / dose / liquidate all open positions / Securities / shares at the predefined square off time or when Mark to Market (M - T - M) percentage breaches/ violates stipulated percentage OR Margin available breaches/violates stipulated minimum requirement as commu-nicated from time to time, whichever is earlier

KSPL will have sole discretion to decide referred stipulated margin percentage depending upon the market condition. In the event of such square off, the client agrees to bear all the losses based on actual executed prices. In case open position (i.e. short / long) gets converted into delivery due to non 'square off because of any reason whatsoever, the client agrees to provide securities / funds to fulfill the pay-in obligation failing which the client will have to face auction or internal close out; in addition to this the client will have to pay penalties and charges levied by exchange in actual and losses, if any. Without prejudice to the foregoing, the client shall also be solely liable for all and any penalties and charges levied by the exchange(s).

KSPL is entitled to prescribe the date and time by which the margin / security is to be made available and KSPL may refuse to accept any payments in any form after such deadline for margin /security expires.

Notwithstanding anything to the contrary in the documents/Rights and Obligations 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 Ideals of the client within the prescribed time and form, KSPL shall have the right without any further notice or communication to the client to take any one or more of the following steps:

- i. To withhold any payout of funds / securities.
- ii. To withhold / disable the trading / dealing facility to the client.
- iii. To liquidate one or more security(ies) of the client by selling the same in such manner and at such rate which KSPL may deem fit in its absolute discretion, It is agreed and understood by the client that securities here includes securities which are pending delivery receipt.
- iv. To liquidate / square off partially or fully the position of sale & / or purchase in any one or more securities / contracts in such manner and at such rate which KSPL may decide in its absolute discretion

- v. To take any other steps (including liquidation of client collateral, in any form) which in the given circumstances, KSPL may deem fit.

The client agrees that the loss(s) if any, on account of any one or more steps as enumerated herein above being taken by KSPL, 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 KSPL.

#### **6. Shortages in obligations arising out of Internal netting of trades**

Internal shortage means one client has failed to give the delivery of securities sold, which has resulted in short delivery to other clients of KSPL. KSPL shall not be obliged to deliver any securities or pay any money to the client unless and until the same has been received by KSPL from the exchange, the clearing corporation / clearing house and the client has fulfilled his/ her Ms obligations first.

The policy and procedure for settlement of shortages in obligations arising out of internal netting of trades is as under: The short delivering client is debited by an amount equivalent T day's closing rate on 1+3. The securities delivered short are purchased from market on T+3 day which is the Auction Day on Exchange, and the purchase consideration (inclusive of all statutory taxes & levies) is debited to the short delivering seller client along with reversal entry of provisionally amount debited earlier. (Please note that process for handling of internal shortages may be changed by the broker at its discretion with prior notice which shall be intimated through email).

In case of short sell, if the client doesn't have share in DP or unable to make available the shares for settlement, the client account is debited by 1.25 times the short sell value.

In the case of internal shortage, the buyer shall have no rights/claims against KSPL for delay in delivery of securities.

On 1+3 day, the short sell position is closed by debiting the client account by an amount which is highest of (1) Selling price (short sale), (2) Buying price from market (3) T+1/T+2 closing price.

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

- In the event where overall position in any scrip / derivative contract has reached the limit prescribed by regulators/exchanges.
- KSPL has the right to stop/block the client to trade in case there is a debit balance in his/her account.
- KSPL may disallow the client to take a position in certain scrips if instructed by the Risk Management department.
- Reasonable doubt as to the transaction being cross trade, circular trade, fraud, price manipulation or market rigging.

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

On the written request of the client, the client account can be suspended temporarily and can be re-activated on the written request of the client only. During suspension period, the market transaction will be prohibited. However clients pending settlement can take place.

KSPL 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. Deregistering a client**

KSPL may terminate the Stock broker client documents/Rights and Obligations in addition to termination clause in documents/Rights and Obligations in any of the following circumstances:

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

- f. If the client being declared a defaulter by any of the regulatory bodies of the country or under any law being in force or In the event KSPL becoming aware of any proceedings being initiated against the client by any of the regulatory bodies of the country or under any law being in force or the client being involved in any criminal proceedings or any illegal business or the member becoming aware of the clients past offences which are illegal or prohibited by the regulatory bodies of the country or under any law being in force,
- g. On the specific written directions of any statutory/regal authority/Regulatory Authority
- h. If the Client becomes un-discharged insolvent or applies to be adjudicated as an insolvent
- i. If the Client being a partnership firm, has any steps taken by the Client and /or its partners for dissolution of the partnership. If the Client have taken or suffered to be taken any action for its reorganization, liquidation or dissolution;
- k. If the Client has made any material misrepresentation of facts, including (without limitation) in relation to the Security; if there is reasonable apprehension that the Client is unable to pay its debts or the Client has admitted its inability to pay its debts, as they become payable;

**10. 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 ( trading and/ or fund receipts) 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).

On classification of any account as dormant accounts as stated above, KSPL will inform the client through either direct phone or e-mail or letter to the contact details/address last available with KSPL 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. KSPL will reactivate the dormant account after proper verification of the same.

**11. Policy for return of client assets:**

The balances lying in the dormant account shall be returned to the client at the time of the calendar quarterly/monthly settlement. In the event the client wishes to receive the funds from such Trading account before the calendar quarterly/monthly settlement, the Client shall make a request in writing which shall be submitted to Klay Securities Private Limited The funds/securities from Trading/Demat account shall be returned within 7 days from receipt of the request.