K.M.Jain Stock Brokers Pvt Ltd

INDEX OF POLICIES

POLICIES AND PROCEDURES FOR CLIENT DEALINGS – ALL EXCHANGES - MANDATORY
(as required by SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009

Policy 1. refusal of orders for penny stocks
A penny stock can be typified as one which has one or more of the given below characteristics:

- Stock that trades at a relatively low price and /or market capitalization
- Highly speculative and risky because of lack of liquidity
- Large bid-ask spreads
- Showing sporadic volume pattern in tandem with bulk trades
- Association with errant promoters and/or classified under Z or T group by exchanges

Our RMS reserves the "right to refusal" to trade in such stocks and consequently all losses pertaining to it would be borne by the client. The Management will take a decision whether a scrip should be classified under 'penny stock' after considering above-mentioned points. The client should also be ready to pay 100% margin pertaining to the scrip, if asked for.
Along with the above points, a client should also refer to the periodic NSE/BSE circulars regarding illiquid stocks. The dealers and clients should refer updated GSM and ASM scrip's list also before execution of any trade.

Policy 2. setting up client's exposure limit
Our RMS refers the following points before giving exposure to our clients, which in turn can vary from time to time in view of the then prevailing circumstances:

- Client's net worth
- Collateral or deposits taken from the client
- Existing open positions of client and the various margin obligations getting attracted
- Broker's risk perception of the client
- Prevailing market volatility
- The benefit of 'credit for sale of shares' is to be considered while evaluating the exposure of a client at that particular time.
- In case of F&O trading, collateral received after the trading day in 'client's margin account' will not be considered for margin and exposure calculation.
- In case of F&O , strict margin limits for upfront margin, exposure margin, MTM margin and volatility margin as calculated by exchange formulae will be adhered to before providing exposure.
- Scrip wise exposure can vary depending upon the group to which the scrip belongs. A client is liable to get less exposure for scrip under 'Z' & 'T' groups, as the broker has to keep in mind the total turnover of the scrip, liquidity during the day, per day limits for a particular Group (e.g. T, Z groups) set by Exchanges or any such reasons after referring the daily notices of Exchanges & SEBI.
- Updated ASM and GSM list will be referred before allowing exposure in such scrips.
- Exposure to many illiquid scrips can remain blocked at our end and can be activated only with management's approval.
- Any other relevant factor.

The client has to agree to exposure/margin variation, reduction, imposition and restrictions that can affect his ability to execute the orders. Further the client has to agree that the losses if any on account of such refusal or due to delay caused by periodic reviews or interventions shall be borne exclusively by the client alone.
Necessary limits will be set by our officials on the basis of document/s procured from client such as Balance sheet and Profit and Loss statement, Annual IT acknowledgement copy, Auditor certified net

worth statement or self –declared net worth. Any one or combination of above documents will be scrutinized to arrive at a suitable terminal/ UCC limit for the client.

Policy 3. applicable brokerage rate

- Brokerage rates will be charged within the limits prescribed by SEBI/Exchange- i.e. Not more than 2.5% on market rate
- At the time of opening of client‘s account the brokerage rates will be assigned in consultation with the client/sub-broker. Any change intended by either broker or client will be done after mutual discussion thereof. The client should sign on the tariff sheet and should convey any deviation within seven days of signing the sheet.
- For option contracts brokerage will be charged on the premium at which the option contract was bought or sold and not on the strike price of the option contract.
- The management also reserves the right to decide upon brokerage rates to any client as per their comfort level and within the permissible range.
- The client is said to have agreed on the brokerage that would be charged after he signs the tariff sheet forming part of KYC form.
- For Block/Bulk deals, the negotiated brokerage rates may apply.

Policy 4. imposition of penalty/delayed payment charges by either party, specifying the rate and the period not resulting in funding by the broker in contravention of the applicable laws

- Where the Broker is levied or pays any fine/penalties/punishment imposed by any of the authorities like SEBI/RBI/Exchanges/Banks etc in connection with/as a consequence of/in relation to any of the orders /trades/deals/actions/non-compliance of the client, then the same will be debited to the client.
- All penalties due to client’s negligence, what-so-ever it may be, pertaining to their trading account or non-compliance shall be borne by Client.
- If for any reason the client defaults in his pay-in obligations whether at broker level or exchange level, then the broker has the right to recover from the client , the interest so charged by the authorities along with the penalties imposed.
- Any interest corresponding to the amount of shortfall of pay-in amount of the client raised from any bank or through private sources shall be debited to the client’s account.

Policy 5. 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 the extent of settlement/margin obligation)

- Without prejudice to the stock broker other rights (including the right to refer the matter to arbitration), the stock broker shall be entitled to liquidate /close out all or any of the client’s position without giving notice to the client for nonpayment of margins or other amounts including the pay-in obligation, outstanding debts etc and adjust the proceeds of such liquidation/close out, if any against the client’s liabilities/obligations.
- The client shall ensure timely availability of fund/securities in the form and manner at designated time and in designated bank and depository account(s), for meeting his/her/its pay-in obligation of fund and securities. All losses on account of non-compliance of exchange obligation shall be borne by the client. Any available security/collateral would be subject to haircuts/MTM as the stockbroker may deem fit in his absolute discretion.
- The stockbrokers has the right but not the obligation, to cancel all pending orders and to sell /close/liquidate all open positions/securities/shares at a predefined square off time or when MTM percentage reaches or crosses stipulated margin percentage, whichever is earlier. The stockbroker will have the sole discretion to decide referred stipulated margin percentage depending upon the market condition. In the event of such square-off, the client shall bear all the losses based on actual

executed prices, the client shall also be solely liable for all and any penalties and charges levied by the exchange.

- On the explicit directions of Exchanges/ SEBI or any government authority, the broker can freeze or resort to squaring off the position of client. In such cases all losses shall be borne by the client.
- Normally, a client who has outstanding debit balance for more than three months/six months(as will be decided by management) can be asked to make good the expenses of all kind, including TOD/OD interest charges that the broker had to bear due to client's inability to clear them in time.
- As per the recent notice and guidelines by SEBI and Exchanges, the reference to the Exchange circular NSE/INSP/41359 dated June 20, 2019 and SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 on Handling of Clients' Securities by Trading Members/Clearing Members

Policy 6. shortages in obligations arising out of internal netting of trades

It was mandated by SEBi to have a single designated clearing corporation across all exchanges under interoperability for BSE, NSE and Metropolitan Stock Exchange. Hence, after opting for NCL (NSE) as our sole clearing house across all exchanges, it has become imperative for us to revise our internal shortage policy.

Internal shortage arises when delivery pay-in /pay-out of sold/bought scrip remains unsettled between seller and buyer clients of the same broker.. In simpler words, when the seller of a security fails to deliver his securities that results in short delivery to another buyer client of the broker.

Facility for internal shortage is provided by NCL (National Clearing Corporation of NSE). We will be guided by the procedure laid out by NCL as per their circular reference no. NCL/CMPT/46456 dated November 25, 2020 and circular ref # NCL/CMPT/47402 dated February 19, 2021.Salient features of the facility:

1. Facility is for internal shortages in capital market segment and physical settlement of equity derivatives.
2. Clearing members shall provide a list of securities to be auctioned along with trading member, client code and shortage quantity to NCL through a file upload in the format as provided. The file should be uploaded prior to 08:30 AM on settlement date.

(The above cut off time is for broker execution and not for clients. For all the clients we would consider cut off time as 6.00 p.m. one day prior to settlement day.)

3. NCL shall validate the records and provide a return file with status success/reject to the Clearing Members. Only successful records shall be taken up for further processing.
4. NCL shall debit from the settlement account an amount equal to the valuation of the securities provided towards auction. Clearing Members are required to provide valuation amount in their settlement account by 10:00 AM.
5. In case of successful auction, valuation amount so collected shall be utilized towards auction pay-in on auction settlement day. Excess, if any, shall be returned to clearing member after making necessary adjustments and shortfall, if any, shall be recovered from the clearing member. In case of unsuccessful auction, the entire valuation amount shall be returned to the clearing member.
6. In case where auction is successful but there is settlement shortage i.e. auction seller fails to deliver the securities on T+3 day, NCL shall conduct financial close out in accordance with the exchange procedures.
7. It shall be sole responsibility of the Clearing Member to ensure correctness and completeness of the settlement shortages reported to NCL for auction.
8. There shall be facilitation fees of 1% on the value of security considering the price of security on day prior to auction. The amount including applicable taxes shall be collected on monthly basis.

Further this is only a facility at exchange level and no settlement guarantee shall be provided by

exchange.
If for any unforeseen reason the procedure for internal shortage is not initiated then the following policy will be adopted. The client has to agree to the procedure set by us for internal shortage if he/she fails to deliver the securities sold by him/her which tantamount to non-fulfillment of the market obligation at BSE/NSE/Metropolitan Exchange. In such a case the contract shall be mandatorily closed out at NSE and the close out price will be higher of the following:

(a) Highest traded price of the scrip prevailing on NSE beginning from T day till the corresponding auction day

OR

(b) The closing price of the securities on the auction day increased by 5% for both cash and F&O segments.

The amount so determined shall be debited to the seller who failed to deliver the securities in time and credited to the buyer of the same scrip.

If the securities under close are not listed on NSE then aforesaid procedure shall be applied to BSE.
In case of securities having corporate actions that are under no-delivery period: In all such cum-benefit cases of short delivery which cannot be auctioned on cum basis or where cum-benefit pay-out is after book closure /record date then in such a situation it would attract compulsory close out at 10% above the official closing price on the auction day or the highest traded price from the trading day till the corresponding auction day.
The effect of the above amount will be debited to the defaulter client and credited to the buyer client. No actual delivery will be delivered to the buyer in case of internal shortage.

Policy 7. 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 above condition applies in the following cases:

- When the gross exposure/collateral set for the client gets exhausted.
- The existing position of the client is also liable to be squared up when the client fails to provide extra margin or fails to fulfill his obligations even upon being intimated.
- Due to non-receipt or non-fulfillment of money and/or delivery pay-in & payout obligation by the client in case of cash segment.
- Due to non-receipt or non-fulfillment of money pay-in obligation by the client as required by exchanges in F&O segment.
- Existing debit balance in ledger or absence of collateral to initiate a fresh position
- In extraordinary circumstances whence the Broker is advised by the Exchange to reduce exposure to facilitate smooth working of the Exchange.
- In view of the high volatility of market

Policy 8. temporarily suspending or closing a client’s account at the client’s request

- A client’s account can be temporarily suspended if the client gives in writing to do so with proper reason. It can be re-activated on receipt of written instruction from the client. However client would be allowed to settle his ledger account during suspended period.
- The management also reserves the right to temporarily close a client’s account till he fulfills /complies with his due obligations.
- Closure of client’s account- A client’s account can be closed if a written request is received for the same, provided he has settled his account across all segments in terms of money and share delivery.

Policy 9. deregistering a client

Notwithstanding anything contrary stated in the agreement, the stock broker shall be entitled to terminate the agreement in any of the following circumstances:

1) Incase of death/lunacy or any other disability of the client
2) Incase of breach of any term, condition or covenant of this agreement
3) Incase the client has made material misrepresentation in the facts disclosed in his KYC
4) If there is commencement of any legal proceedings against the client under any law in force.
5) If the action of the client are prima-facie illegal/improper or one that points to price manipulation or that disturbs the normal functioning capital market, whether alone or in conjunction with others.
6) In case the client defaults in fulfillment of his exchange related obligations
7) Incase of dissolution of partnership firm and the partnership firm or any of its partner being the client of the broker.
8) 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 BIFR or under any other law providing protection as a relief undertaking.
9) If any covenant or warranty of the client is incorrect or untrue in any material respect.
10) If there is reasonable apprehension that the client would be unable to pay its debts or the client has admitted its inability to pay its debt as and when they become payable.
11) If a receiver, administrator or liquidator has been appointed or allowed to be appointed for all or any part of the undertaking of the client.
12) If there is reasonable apprehension about the clients' solvency or ability to fulfill his obligations.

All losses pertaining to this effect shall be borne by the client.

Policy 10. policy regarding treatment of inactive/dormant client

Any client who does not trade during a financial year shall be considered as an "in-active client "or dormant client. The management will typify a client as "inactive" after considering the following aspects:

1. Whether there exists any trade in his ledger account whose obligation has been fulfilled through the exchange trading platform?
2. Whether the client is active in any other segment?
3. Whether the client has any debits or credits lying in any of his ledger account, in any of the segments?
4. Whether the client is trying to settle his dues, though he is an inactive trader? ie. Only banking transactions appear in his ledger account?
5. Whether the client is inactive due to change of his residential status or change of location to a remote area or foreign country and has intimated his wish to remain dormant temporarily?
6. Client declared inactive by law: Such a client will be moved to the "inactive" category if required by law.

After considering the above points, we would consider whether the client trading and/or demat account needs to be closed permanently or not. Having typified the client as 'inactive', we would proceed to intimate him about the same and tag the client as 'inactive' in BSE/NSE online database.