

**Annexure - 1**

**ACCOUNT OPENING KIT – FOR INDIVIDUALS**

**INDEX OF MANDATORY DOCUMENTS**

S. No.	Name of the Document	Brief Significance of the Document	Page No
<b>MANDATORY DOCUMENTS AS PRESCRIBED BY SEBI &amp; EXCHANGES</b>			
1	Account Opening Form	A. KYC form - Document captures the basic information about the constituent and an instruction/check list – <b>Annexure 2</b>	
		B. Document captures the additional information about the constituent relevant to trading account and an instruction/check list – <b>Annexure 3</b>	
2	Rights and Obligations	Document stating the Rights & Obligations of stock broker/trading member, sub-broker and client for trading on exchanges (including additional rights & obligations in case of internet/wireless technology based trading) – <b>Annexure 4</b>	
3	Risk Disclosure Document (RDD)	Document detailing risks associated with dealing in the securities market – <b>Annexure 5</b>	
4	Guidance note	Document detailing do's and don'ts for trading on exchange, for the education of the investors – <b>Annexure 6</b>	
5	Policies and Procedures	Document describing significant policies and procedures of the stock broker ( <i>to be added by the stock broker</i> ) – <b>Annexure 7</b>	
6	Tariff sheet	Document detailing the rate/amount of brokerage and other charges levied on the client for trading on the stock exchange(s) ( <i>to be added by the stock broker</i> ) – <b>Annexure 8</b>	

Name of stock broker/trading member/clearing member: **Daiwa Capital Markets India Private Limited**

Corporate Identity Number - U67120MH2007FTC174953

SEBI Registration No. and date: BSE – INB 011292936, date 04.02.2008, NSE – INB 231292930, date 13.03.2008, INF 231292930, date 13.03.2008 (Trading Member); INF 231292930, date 23.02.2011 (Clearing Member), INE 231292930 (Trading & Clearing Member) date 03.09.2010

CEO name, phone no. & email id:

Name: Mr. Kentaro Konishi, Tel: 91-22-6622-1001, E-mail: [kentaro.konishi@in.daiwacm.com](mailto:kentaro.konishi@in.daiwacm.com)

For any grievance/dispute please contact Daiwa Capital Markets India Private Limited at the above address or email id [rupal.talati@in.daiwacm.com](mailto:rupal.talati@in.daiwacm.com) and Phone no. 91-22-6622-1084, for Investor Grievances please contact at [customerservice@in.daiwacm.com](mailto:customerservice@in.daiwacm.com). In case not satisfied with the response, please contact the concerned exchange(s) - NSE E-mail: [ignse@nse.co.in](mailto:ignse@nse.co.in) and Phone no. 91- 22 – 2659-8190, 1800220058 (Toll free) BSE E-mail: [is@bseindia.com](mailto:is@bseindia.com) and Phone no. 91-22-2272-1233, 91-22-2272-1234 (Mr. N.R. Bagade - Extn. 8138)

### **Client Registration Documents in Vernacular Languages**

This is with reference to BSE circular No. 20160711-11 dated 11 July 2016, NSE Circular No. 283/2016, dated July 08, 2016 and SEBI PR No. 130/2016, dated August 01, 2016.

In order to facilitate better understanding of the registration documents by the investors, BSE and NSE have provided the following documents in 15 regional vernacular languages:

1. Document stating the Rights & Obligations of stock broker, sub-broker and client for trading on exchanges (including additional rights & obligations in case of internet / wireless technology based trading).
2. Uniform Risk Disclosure Documents (for all segments / exchanges).
3. Guidance Note detailing Do's and Don'ts for trading on exchanges.

The above mentioned documents in vernacular languages are available for download \*:

- (i). on BSE website at:

[http://www.bseindia.com/investors/client\\_regislanguages.aspx?expandable=3](http://www.bseindia.com/investors/client_regislanguages.aspx?expandable=3)

- (ii). on NSE website at:

[https://www.nseindia.com/membership/content/complinc\\_trading\\_mem.htm](https://www.nseindia.com/membership/content/complinc_trading_mem.htm)

*\* In case you are unable to download the aforesaid documents, you are requested to kindly send an e-mail at [customerservice@in.daiwacm.com](mailto:customerservice@in.daiwacm.com) and a copy will be made available to you.*

**KNOW YOUR CLIENT (KYC) APPLICATION FORM – FOR INDIVIDUALS**

Please fill this form in ENGLISH and in BLOCK LETTERS.

<p>PHOTOGRAPH</p> <p>Please affix your recent passport size photograph and sign across it</p>
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**A. IDENTITY DETAILS**

1. Name of the Applicant: \_\_\_\_\_

2. Father's/ Spouse Name: \_\_\_\_\_

3. a. Gender: Male/ Female b. Marital status: Single/ Married c. Date of birth: (dd/mm/yyyy)

4. a. Nationality: \_\_\_\_\_ b. Status: Resident Individual/ Non Resident/Foreign National

5. a. PAN: \_\_\_\_\_ b. Aadhaar, if any: \_\_\_\_\_

6. Specify the proof of Identity submitted:

\_\_\_\_\_

**B. ADDRESS DETAILS**

1. Residence Address :

\_\_\_\_\_

City/town/village: \_\_\_\_\_ Pin Code: \_\_\_\_\_ State: \_\_\_\_\_ Country: \_\_\_\_\_

2. Contact Details: Tel. (Off.) \_\_\_\_\_, Tel. (Res) \_\_\_\_\_

Mobile No.: \_\_\_\_\_ Fax: \_\_\_\_\_ Email id: \_\_\_\_\_

3. Specify the proof of address submitted for residence address:

\_\_\_\_\_

4. Permanent address (if different from above or overseas address, mandatory for Non-Resident Applicant):

\_\_\_\_\_

City/town/village: \_\_\_\_\_ Pin Code: \_\_\_\_\_ State: \_\_\_\_\_ Country: \_\_\_\_\_

**DECLARATION:**

I hereby declare that the details furnished above are true and correct to the best of my knowledge and belief and I undertake to inform you of any changes therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am aware that I may be held liable for it.

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**Signature of the Applicant**

**Date:** \_\_\_\_\_ (dd/mm/yyyy)

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**FOR OFFICE USE ONLY**

Originals verified and Self-Attested Document copies received

(.....)  
**Signature of the Authorised Signatory**

**Date:** .....

**Seal/Stamp of the intermediary**

## INSTRUCTIONS / CHECK LIST FOR FILLING KYC FORM

### **A. IMPORTANT POINTS:**

1. Self attested copy of PAN card is mandatory for all clients, including Promoters/Partners/Karta/Trustees and whole time directors and persons authorized to deal in securities on behalf of company/firm/others.
2. Copies of all the documents submitted by the applicant should be self – attested and accompanied by originals for verification. In case the original of any documents is not produced for verification, then the copies should be properly attested by entities authorized for attesting the documents, as per the below mentioned list.
3. If any proof of identity or address is in a foreign language, then translation into English is required.
4. Name & address of the applicant mentioned on the KYC form, should match with the documentary proof submitted.
5. If correspondence & permanent address are different, then proofs for both have to be submitted.
6. Sole proprietor must make the application in his individual name & capacity.
7. For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card and overseas address proof is mandatory.
8. For foreign entities, CIN is optional; and in the absence of DIN no. for the directors, their passport copy should be given.
9. In case of Merchant Navy NRI's, Mariner's declaration or certified copy of CDC (Continuous Discharge Certificate) is to be submitted.
10. For opening an account with Depository participant or Mutual Fund, for a minor, photocopy of the School Leaving Certificate/ Mark sheet issued by Higher Secondary Board/Passport of Minor/Birth Certificate must be provided.
11. Politically Exposed Persons (PEP) are defined as individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States or of Governments, senior politicians, senior Government / judicial/military/officers, senior executives of state owned corporations, important political party officials, etc.

### **B. Proof of Identity (POI):-** *List of documents admissible as Proof of Identity:*

1. Unique Identification Number (UID) (Aadhaar)/ Passport/ Voter ID card/ Driving License.
2. PAN Card with photograph.
3. Identity card / document with applicant's Photo, issued by any of the following: Central/State Government and its Departments, Statutory / Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/ Debit card issued by Banks.

### **C. Proof of address (POA):-** *List of documents admissible as Proof of Address:*

*(\*Documents having an expiry date should be valid on the date of submission.)*

1. Passport / Voters Identity Card/ Ration Card/ Registered Lease or Sale Agreement of Residence/ Driving License /Flat Maintenance Bill/ Insurance Copy.
2. Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill – Not more than 3 months old.
3. Bank Account Statement / Passbook -- Not more than 3 months old.
4. Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.

5. Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-operative Bank/ Multinational Foreign Banks/ Gazetted Officer/ Notary public / Elected representatives to the Legislative Assembly / Parliament / Documents issued by any Govt. or Statutory Authority.
6. Identity card/ documents with address, issued by any of the following: Central/ State Government and its Departments, Statutory / Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.
7. For FII/ sub account, Power of Attorney given by FII/ sub-account to the Custodians (which are duly notarized and/or apostiled or consularised) that gives the registered address should be taken.
8. The proof of address in the name of the spouse may be accepted.

#### **D. Exemptions/ Clarification to PAN**

*(\*Sufficient Documentary evidence in support of such claims to be collected.)*

1. In case of transactions undertaken on behalf of Central Government and/or State Government and by officials appointed by courts e.g. official liquidator, Court receiver etc.
2. Investors residing in the state of Sikkim.
3. UN entities/multilateral agencies exempt from paying taxes/ filing tax returns in India.
4. SIP of mutual funds upto Rs. 50,000/- p.a.
5. In case of institutional clients, namely, FIIs, MFs, VCFs, FVCIs, Scheduled Commercial Banks, Multilateral and Bilateral Development Financial Institutions, State Industrial Development Corporations, Insurance Companies registered with IRDA and Public Financial Institution as defined under section 4A of the Companies Act, 1956, Custodians shall verify the PAN card details with the original PAN card and provide duly certified copies of such verified PAN details to the intermediary.

#### **E. List people authorized to attest the documents:**

1. Notary Public, Gazetted Officer, Manager of a Scheduled Commercial/Co-operative Bank or Multinational Foreign Banks (Name, Designation & Seal should be affixed on the copy).
2. In case of NRIs, authorised officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy/ Consulate General in the country where the client resides are permitted to attest the documents.

**Annexure – 3**

**TRADING ACCOUNT RELATED DETAILS – FOR INDIVIDUALS**

**A. BANK ACCOUNT(S) DETAILS**

Bank Name	Branch address	Bank account no.	Account Type: Saving / Current Others- In case of NRI/ NRE/NRO	MICR Number	IFSC code

**B. DEPOSITORY ACCOUNT(S) DETAILS**

Depository Participant Name	Depository Name (NSDL/CDSL)	Beneficiary name	DP ID	Beneficiary ID (BO ID)

**C. TRADING PREFERENCES**

*\* Please sign in the relevant boxes where you wish to trade. The segment not chosen should be struck off by the client.*

Exchanges	Segments			
Name of the Exchange – 1	Cash	<input type="checkbox"/>	Currency Derivative	<input type="checkbox"/>
	F&O	<input type="checkbox"/>	Name of other Segments, if any	<input type="checkbox"/>
Name of the Exchange – 2	Name of the Segments – 1, 2 ...	<input type="checkbox"/>	<input type="checkbox"/>	

*# If, in future, the client wants to trade on any new segment/new exchange, separate authorization/ letter should be taken from the client by the stock broker.*

**D. PAST ACTIONS**

Details of any action/ proceedings initiated/ pending / taken by SEBI / Stock exchange/ any other authority against the applicant/ constituent or its Partners / promoters / whole time directors/ authorized persons in charge of dealing in securities during the last 3 years:

.....

**E. DEALINGS THROUGH SUB-BROKERS AND OTHER STOCK BROKERS**

- If client is dealing through the sub-broker, provide the following details:

Sub-broker's Name: .....

SEBI Registration number .....

Registered office address:

Ph: ..... Fax: ..... Website .....

- Whether dealing with any other stock broker/sub-broker (if case dealing with multiple stock brokers/sub-brokers, provide details of all)

Name of stock broker: .....

Name of Sub-Broker, if any: .....

Client Code: ..... Exchange: .....

- Details of disputes/dues pending from/to such stock broker/sub-broker: .....

**F. ADDITIONAL DETAILS**

- Whether you wish to receive physical contract note or Electronic Contract Note (ECN) (please specify): .....
- Specify your Email id, if applicable: .....
- Whether you wish to receive physical or electronic copy of the following standard documents, which are part of the account opening kit:
  - a) Rights & Obligations of stock broker, sub-broker and client for trading on exchanges (including additional rights & obligations in case of internet/ wireless technology based trading);
  - b) Uniform Risk Disclosure Documents (for all segments/ exchanges); and
  - c) Guidance Note detailing Do's and Don'ts for trading on stock exchanges.

Please specify below:

**Physical**  will be sent to you on your residence address

**or**

**Electronic**  will be e-mailed to you on your registered e-mail id.

- Whether you wish to avail of the facility of internet trading/wireless technology (please specify): .....
- Number of years of Investment/Trading Experience: .....
- Any other information: .....
- Other details

1. **Gross Annual Income Details (please specify):** Income Range per annum: Below Rs 1 Lac / 1-5 Lac /5-10 Lac / 10-25 Lac / 25 Lacs-1 crore/ > 1 crore **or**

**Net-worth as on** (date)..... (-----) (Net worth should not be older than 1 year)

2. **Occupation (please tick any one and give brief details):** Private Sector/ Public Sector/ Government Service/Business/ Professional/ Agriculturist/ Retired/ Housewife/ Student/ Others \_\_\_\_\_

3. **Please tick, if applicable:** Politically Exposed Person (PEP)/ Related to a Politically Exposed Person (PEP)

4. **Any other information:**

**G. INTRODUCER DETAILS (optional)**

Name of the Introducer: .....

(Surname) (Name) (Middle Name)

Status of the introducer: Sub-broker/Remisier/Authorized Person/ Existing Client/Others, please specify

.....

Address and phone no. of the Introducer .....

Signature of the Introducer .....

**H. NOMINATION DETAILS (for individuals only)**

**I / We wish to nominate**

**I / We do not wish to nominate**

Name of the Nominee .....

Relationship with the nominee .....

PAN of Nominee: .....

Date of Birth of nominee .....

Address and phone no. of the Nominee.....

**If Nominee is a minor, details of guardian:**

Name of guardian ..... Address and phone no. of Guardian .....

Signature of guardian .....

**WITNESSES (Only applicable in case the account holder has made nomination)**

Name .....

Name .....

Signature .....

Signature .....

Address .....

Address .....



**DECLARATION:**

1. I/We hereby declare that the details furnished above are true and correct to the best of my/our knowledge and belief and I/we undertake to inform you of any changes therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am/we are aware that I/we may be held liable for it.
2. I/We confirm having read/been explained and understood the contents of the document on policy and procedures of the stock broker and the tariff sheet.
3. I/We further confirm having read and understood the contents of the 'Rights and Obligations' document(s) and 'Risk Disclosure Document'. I/We do hereby agree to be bound by such provisions as outlined in these documents. I/We have also been informed that the standard set of documents has been displayed for Information on stock broker's designated website, if any.

**Place:** \_\_\_\_\_

**Date:** \_\_\_\_\_

(\_\_\_\_\_)

**Signature of client/ (all) authorized signatory (ies)**

**FOR OFFICE USE ONLY**

UCC Code allotted to the Client: -----

	Documents verified with Originals	Client Interviewed by	In – Person Verification done by
Name of the Employee			
Employee Code			
Designation of the employee			
Date			
Signature			

*I/We undertake that we have made the client aware of 'Policy and Procedures', tariff sheet and all the non-mandatory documents. I/We have also made the client aware of 'Rights and Obligations' document (s), RDD and Guidance Note . I/We have given/sent him a copy of all the KYC documents. I/We undertake that any change in the 'Policy and Procedures', tariff sheet and all the non -mandatory documents would be duly intimated to the clients. I/We also undertake that any change in the 'Rights and Obligations' and RDD would be made available on my/our website, if any, for the information of the clients.*

.....

**Signature of the Authorized Signatory**

**Date:** .....

**Seal / Stamp of the stock broker**

## INSTRUCTIONS / CHECK LIST

1. Additional documents in case of derivatives segments – illustrative list:

Copy of ITR acknowledgment	Copy of Annual Accounts
In case of salary income – Salary Slip, Copy of Form 16	Net worth certificate
Copy of demat account holding statement.	Bank account statement for last 6 months
Any other relevant documents substantiating ownership of assets.	Self declaration with relevant supporting documents.

*\* In respect of other clients, documents as per risk management policy of the stock broker need to be provided by the client from time to time.*

2. Copy of cancelled cheque leaf/pass book/ bank statement specifying name of the constituent, MICR Code or/and IFSC Code of the bank should be submitted.

3. Demat master or recent holding statement issued by DP bearing name of the client.

4. For individuals:

- a. Stock broker has an option of doing 'in-person' verification through web camera at the branch office of the stock broker/sub-broker's office.
- b. In case of non-resident clients, employees at the stock broker's local office, overseas can do in-person' verification. Further, considering the infeasibility of carrying out 'In-person' verification of the non-resident clients by the stock broker's staff, attestation of KYC documents by Notary Public, Court, Magistrate, Judge, Local Banker, Indian Embassy / Consulate General in the country where the client resides may be permitted.

#### **Annexure – 4**

### **RIGHTS AND OBLIGATIONS OF STOCK BROKERS, SUB-BROKERS AND CLIENTS**

#### ***as prescribed by SEBI and Stock Exchanges***

1. The client shall invest/trade in those securities/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 stock broker, sub-broker 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 itself of the capacity of the stock broker to deal in securities and/or deal in derivatives contracts and wishes to execute its orders through the stock broker and the client shall from time to time continue to satisfy itself of such capability of the stock broker before executing orders through the stock broker.
4. The stock broker 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 stock broker shall take steps to make the client aware of the precise nature of the Stock broker's liability for business to be conducted, including any limitations, the liability and the capacity in which the stock broker acts.
6. The sub-broker shall provide necessary assistance and co-operate with the stock broker in all its dealings with the client(s).

#### **CLIENT INFORMATION**

7. The client shall furnish all such details in full as are required by the stock broker in "Account Opening Form" with supporting details, made mandatory by stock exchanges/SEBI from time to time.
8. The client shall familiarize himself with all the mandatory provisions in the Account Opening documents. Any additional clauses or documents specified by the stock broker shall be non-mandatory, as per terms & conditions accepted by the client.
9. The client shall immediately notify the stock broker 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 stock broker on a periodic basis.
10. The stock broker and sub-broker 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 stock broker may so disclose information about his client to any person or authority with the express permission of the client.

#### **MARGINS**

11. The client shall pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the stock broker 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 stock broker 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.
12. 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 AND SETTLEMENTS**

13. The client shall give any order for buy or sell of a security/derivatives contract in writing or in such form or manner, as may be mutually agreed between the client and the stock broker. The stock broker shall ensure to place orders and execute the trades of the client, only in the Unique Client Code assigned to that client.
14. The stock broker 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.
15. The stock broker shall ensure that the money/securities 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 stock broker 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 notices of Exchange.
16. Where the 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, stock broker shall be entitled to cancel the respective contract(s) with client(s).
17. 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**

18. The Client shall pay to the stock broker 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 stock broker renders to the Client. The stock broker 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 AND CLOSE OUT OF POSITION**

19. Without prejudice to the stock broker's other rights (including the right to refer a matter to arbitration), the client understands that the stock broker 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.
20. 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 which the client has ordered to be bought or sold, stock broker 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 in favor of a Nominee shall be valid discharge by the stock broker against the legal heir.
21. The stock broker 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 entity/partnership/proprietary firm or any other artificial legal entity, then the name(s) of Director(s)/Promoter(s)/Partner(s)/Proprietor as the case may be, shall also be communicated by the stock broker to the relevant Exchange(s).

## **DISPUTE RESOLUTION**

22. The stock broker shall provide the client with the relevant contact details of the concerned Exchanges and SEBI.
23. The stock broker 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.
24. The client and the stock broker 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.
25. The stock broker 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.
26. The client/stock-broker 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/stock-broker in accordance with the letter authorizing the said representative to deal on behalf of the said client/stock-broker.

## **TERMINATION OF RELATIONSHIP**

27. This relationship between the stock broker and the client shall be terminated; if the stock broker for any reason ceases to be a member of the stock exchange including cessation of membership by reason of the stock broker's default, death, resignation or expulsion or if the certificate is cancelled by the Board.
28. The stock broker, sub-broker 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.
29. In the event of demise/insolvency of the sub-broker 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 stock broker, 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 stock broker and all clauses in the 'Rights and Obligations' document(s) governing the stock broker, sub-broker and client shall continue to be in force as it is, unless the client intimates to the stock broker his/its intention to terminate their relationship by giving a notice in writing of not less than one month.

## **ADDITIONAL RIGHTS AND OBLIGATIONS**

30. The stock broker 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.
31. The stock broker 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.
32. The stock broker 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 stock broker 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.

33. The stock broker shall make pay out of funds or delivery of securities, 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.
34. The stock broker shall send a complete `Statement of Accounts` for both funds and securities 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 Stock broker.
35. The stock broker 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.
36. The Client shall ensure that it has the required legal capacity to, and is authorized to, enter into the relationship with stock broker 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.

#### **ELECTRONIC CONTRACT NOTES (ECN)**

37. In case, client opts to receive the contract note in electronic form, he shall provide an appropriate e-mail id to the stock broker. The client shall communicate to the stock broker 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.
38. The stock broker shall ensure that all ECNs sent through the e-mail shall be digitally signed, encrypted, non-tamper able 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.
39. The client shall note that non-receipt of bounced mail notification by the stock broker shall amount to delivery of the contract note at the e-mail ID of the client.
40. The stock broker 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 stock broker 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 stock broker 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.
41. The stock broker shall continue to send contract notes in the physical mode to such clients who do not opt to 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 stock broker 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.
42. In addition to the e-mail communication of the ECNs to the client, the stock broker 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 AND JURISDICTION**

43. In addition to the specific rights set out in this document, the stock broker, sub-broker and the client shall be entitled to exercise any other rights which the stock broker 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.
44. 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.
45. The stock broker 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.
46. 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.
47. All additional voluntary clauses/document added by the stock broker 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.
48. 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 in modification of the rights and obligations of the parties mentioned in this document.

### **INTERNET & WIRELESS TECHNOLOGY BASED TRADING FACILITY PROVIDED BY STOCK BROKERS TO CLIENT**

**(All the clauses mentioned in the '*Rights and Obligations*' document(s) shall be applicable. Additionally, the clauses mentioned herein shall also be applicable.)**

1. Stock broker 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 stock broker shall comply with all requirements applicable to internet based trading/securities 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 and for this purpose, the client is desirous of using either the internet based trading facility or the facility for securities trading through use of wireless technology. The Stock broker shall provide the Stock broker's IBT Service to the Client, and the Client shall avail of the Stock broker's IBT Service, on and subject to SEBI/Exchanges Provisions and the terms and conditions specified on the Stock broker's IBT Web Site provided that they are in line with the norms prescribed by Exchanges/SEBI.
3. The stock broker shall bring to the notice of client the features, risks, responsibilities, obligations and liabilities associated with securities trading through wireless technology/internet/smart order routing or any other technology should be brought to the notice of the client by the stock broker.
4. The stock broker shall make the client aware that the Stock Broker'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 Stock broker'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 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 stock broker

6. The Client shall immediately notify the Stock broker in writing if he forgets his password, discovers security flaw in Stock Broker'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 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 stock broker 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 stock broker 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 Stock broker and the Exchange do not make any representation or warranty that the Stock broker'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 Stock broker on account of any suspension, interruption, non-availability or malfunctioning of the Stock broker'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/Stock brokers/Exchange end for any reason beyond the control of the stock broker/Exchanges.



## **Annexure – 5**

### **RISK DISCLOSURE DOCUMENT FOR CAPITAL MARKET AND DERIVATIVES SEGMENTS**

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

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

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

Stock exchanges does not provide or purport to provide any advice and shall not be liable to any person who enters into any business relationship with any stock broker of Stock 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 or authorize someone to trade for you, 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 Rumors:**

Rumors about companies / 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 rumors.

### **1.7 System Risk:**

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.

**1.7.1** 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.

1.7.2 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.

A. 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.

B. 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.

C. 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

D. 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.

E. 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:**

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. 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.
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:**

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.

## **2.4 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.

## **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 stock broker.

### **4. GENERAL**

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

**4.2** The term 'stock broker' shall mean and include a stock broker, a broker or a stock broker, who has been admitted as such by the Exchanges and who holds a registration certificate from SEBI.

**Annexure – 6**

**GUIDANCE NOTE - DO's AND 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 the Stock exchanges [www.exchange.com](http://www.exchange.com) and SEBI website [www.sebi.gov.in](http://www.sebi.gov.in).
2. Ensure that you fill the KYC form completely and strike off the blank fields in the KYC form.
3. Ensure that you have read all the mandatory documents viz. Rights and Obligations, Risk Disclosure Document, Policy and Procedure document of the stock broker.
4. Ensure to read, understand and then sign the voluntary clauses, if any, agreed between you and the stock broker. Note that the clauses as agreed between you and the stock broker cannot be changed without your consent.
5. 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.
6. Obtain a copy of all the documents executed by you from the stock broker free of charge.
7. In case you wish to execute Power of Attorney (POA) in favour of the Stock broker, authorizing it to operate your bank and demat account, please refer to the guidelines issued by SEBI/Exchanges in this regard.

**TRANSACTIONS AND SETTLEMENTS**

8. The stock broker may issue electronic contract notes (ECN) if specifically authorized by you in writing. You should provide your email id to the stock broker for the same. Don't opt for ECN if you are not familiar with computers.
9. Don't share your internet trading account's password with anyone.
10. Don't make any payment in cash to the stock broker.
11. Make the payments by account payee cheque in favour of the stock broker. Don't issue cheques in the name of sub-broker. Ensure that you have a documentary proof of your payment/deposit of securities with the stock broker, stating date, scrip, quantity, towards which bank/ demat account such money or securities deposited and from which bank/ demat account.
12. Note that facility of Trade Verification is available on stock exchanges' websites, where details of trade as mentioned in the contract note may be verified. 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.

13. 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 stock broker shall maintain running account for you subject to the following conditions:

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.

b) The actual settlement of funds and securities shall be done by the stock broker, at least once in a calendar quarter or month, depending on your preference. While settling the account, the stock broker 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. The statement shall also explain the retention of funds and securities and the details of the pledged shares, if any.

c) On the date of settlement, the stock broker may retain the requisite securities/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 stock broker may retain entire pay-in obligation of funds and securities due from clients as on date of settlement and for next day's business, he may retain funds/securities/margin to the extent of value of transactions executed on the day of such settlement in the cash market.

d) You need to bring any dispute arising from the statement of account or settlement so made to the notice of the stock broker in writing preferably within 7 (seven) working days from the date of receipt of funds/securities or statement, as the case may be. In case of dispute, refer the matter in writing to the Investors Grievance Cell of the relevant Stock exchanges without delay.

14. 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 stock broker. In case there is dispute, ensure that you lodge a complaint in writing immediately with the Investors Grievance Cell of the relevant Stock exchange.

15. Please register your mobile number and email id with the stock broker, to receive trade confirmation alerts/ details of the transactions through SMS or email, by the end of the trading day, from the stock exchanges.

#### **IN CASE OF TERMINATION OF TRADING MEMBERSHIP**

16. In case, a stock broker surrenders his membership, is expelled from membership or declared a defaulter; Stock exchanges gives 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.

17. Familiarize yourself with the protection accorded to the money and/or securities you may deposit with your stock broker, particularly in the event of a default or the stock broker'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**

18. Please note that the details of the arbitration proceedings, penal action against the brokers and investor complaints against the stock brokers are displayed on the website of the relevant Stock exchange.

19. In case your issue/problem/grievance is not being sorted out by concerned stock broker/sub-broker 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.

20. Note that all the stock broker/sub-brokers 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.

### **Annexure – 7 Policies and Procedures**

**POLICIES & PROCEDURE OF DAIWA CAPITAL MARKETS INDIA PRIVATE LIMITED**  
(hereinafter referred to as “Daiwa”) FOR CLIENT DEALINGS

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

- Daiwa may define from time to time Penny stocks as those stocks where the market price is below or close to par value of the share, with the company financials being weak with indicators such as loss, accumulated losses, low sales revenue, low or negative networth, signs of inactivity in the company, which are having very less value.
- DAIWA may from time to time identify such stocks and put trading restrictions in such penny stocks.
- In addition to these stocks DAIWA may also include other stocks in the list of restricted stocks such as stocks in Z category, Trade to Trade Settlement or TS category, the scrips which are included in the list of illiquid scrips as notified by the exchange/s from time to time or any other scrip which DAIWA may deem fit for the purpose of putting trading restriction.
- Restriction on above stocks may be as to the price, quantity or mode of placement of orders.
- DAIWA reserves the right to disable/restrict certain scrips, as it deems fit, for trading or put quantity or price restrictions while putting trade orders. In such case, client may be allowed to place the trades subject to certain restrictions, through DAIWA’s centralized dealing desk.
- Clients can enquire with DAIWA’s dealing/sales trading team about any trading restrictions on any scrip.
- The above restrictions are placed on the trading activities of the client as these stocks are exposed to price rigging and other market manipulative activities.
- DAIWA as a member of BSE & NSE is expected to have proper surveillance and monitoring mechanism on the trading activities of their clients, particularly on penny and illiquid scrips.
- Clients to note that DAIWA shall have right to reject the orders placed by the Client and/or put circuit breakers to discourage trades getting executed at unrealistic prices from the current market price of the security or prohibit the Client from trading in illiquid securities which creates artificial liquidity or manipulates prices or to discourage Client from cross/ synchronized trading and DAIWA shall not be liable for any loss arising out of non acceptance or rejection of the Client orders for any such reason if the Client fails to give sufficient reason for placing such orders.

#### **b. Setting up client's exposure limits**

- DAIWA may from time to time at its sole discretion, impose and vary the limits on the orders that client can place through DAIWA (including but not limited to exposure limits, turnover limits, limits as to number, value and/kind of securities/ contracts in respect of which buy or sell orders can be placed).
- DAIWA may need to vary or reduce the limits or impose new limits urgently on the basis of its risk perception and other factors considered relevant and DAIWA will make all necessary attempts to inform clients of such changes.
- DAIWA may as risk containment measure at any time at its sole discretion and without prior notice, prohibit or restrict the client's ability to place the orders or trade in all or some of securities/contracts through member.
- The exposure limits are generally based on the availability of the margin in the client's account. Margin may be in the form of cash and /or in the form of securities with DAIWA. The client shall be permitted to trade upto a pre-determined number of times of the margin (the "Multiple") and the quantum of the Multiple on the margin shall be decided at sole discretion of DAIWA.

#### **c. Applicable brokerage rate:**

- Brokerage will be charged to the client based on the brokerage rates informed to the Client in the account opening form/KYC kit or as per the product/scheme opted by the client from time to time.
- Based on the value of business done by the client and risk perception, DAIWA may change the brokerage rate as may be mutually agreed between DAIWA and the Client.
- The brokerage rate will be within the permissible limit set by SEBI/exchanges (currently the same is 2.5% of turnover).

#### **d. Imposition of penalty/delayed payment charges:**

All clients are requested to make payment towards settlement obligation on or before due date. In the event of settlement obligations not met by the clients, Daiwa will levy a penal interest not exceeding 18% p.a., which Daiwa may determine to be charged, at its sole discretion. Same will be communicated in debit note on interest sent to the clients.

#### **e. Right to sell clients' securities or close clients' positions without notice to the client:**

- 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
- Without prejudice to other rights(including the right to refer a matter to arbitration), DAIWA may liquidate/close out without any notice all or any of the client's position for non payment of margins or other amounts, outstanding debts etc. and adjust the proceeds of such liquidation/close out, if any, against the clients liability /obligations. Any and all losses and financial charges on account of such liquidation/closing out shall be charged to and borne by the client.
- On best efforts basis Daiwa will try and inform the client and give reasonable time for payment. However it will be the responsibility of client to track his margins/settlement obligations by going through margin statements sent to the client on daily basis.
- DAIWA has the right but not obligation, to cancel all pending orders and to sell/close/liquidate all open position /securities / shares at the pre-defined square off time or when mark to market percentage reaches or crosses stipulated margin percentage, whichever is earlier. DAIWA 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. Daiwa may at its sole discretion charge the respective clients all and any penalties and charges levied by the exchange(s).



**f. Shortages in obligations arising out of internal netting of trades:**

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

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

- Under following circumstances a client may not be allowed to take further position and if required the existing position in his account may be also be closed:
  - If there is a continuous debit Balance in client's account.
  - If there is insufficient margin in client's account required to maintain his open position.
  - If client is not responding satisfactorily to the Company/regulatory enquiry on trades undertaken by him explaining the rationale for transactions or fails to provide documents to prove beneficial ownership of shares, submit proof of income/Net worth etc.
  - If there is an order by SEBI or any other appropriate authority debarring the client from dealing in securities market or an order to suspend/seize client's account.
  - In case the scrip or member limits are breached or likely to be breached in the Derivatives Market Segment
  - In case of dormant/inactive account and
  - At the discretion of the company by giving written notice to the client

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

- In case Client decides to close or temporarily suspend its trading account, it may do so with a written/e-mail request to DAIWA.

**i. Policy for Inactive Accounts:**

- The trading account of an institutional client with DAIWA for which a UCC has been generated is considered as "INACTIVE" in case of the client not renewing its SEBI registration. For this purpose the SEBI registration status of each account is tracked based on SEBI registration expiry date and at the time of renewal the account details are obtained from the client's custodian and verified against the details available on SEBI and Income Tax websites. In case any Inactive client later renews their registration with SEBI then it is reactivated.
- The trading account of a non – institutional client availing the services of custodian for which a UCC has been generated by DAIWA is considered as "INACTIVE" and is deactivated on suspension of the custodian participant (CP) code assigned by the custodian and registered with respective stock exchange.

- The trading account of an employee with DAIWA for which a UCC has been generated is considered as “INACTIVE” on resignation of the employee and is deactivated on expiry of the last working day of the employee.
- Where a spouse account of employee is maintained at DAIWA, the spouse account is also considered as inactive once the employee resigns, or closes account with DAIWA.

**j. Deregistering of client.**

- Notwithstanding anything to the contrary contained,, DAIWA shall be entitled to terminate the agreement with immediate effect in any of the following circumstances:
  - i) If the action of the client are prima facie illegal/improper or such as to manipulate the price of any securities or disturb the normal /proper functioning of securities either alone or in conjunction with others.
  - ii) If there is commencement of any legal proceedings against the client under any law in force;
  - iii) If the client suffers any adverse material change in his / her/its financial position or defaults in any other/agreement with DAIWA;
  - iv) If the client commits any breach of any terms and conditions or covenants of any of the SEBI, BSE, NSE Rules, Regulations, Bye Laws, etc;
  - v) If the client has made any material misrepresentation of facts, including (without limitation) in relation to the security;
  - vi) 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;
  - vii) If the client have taken or suffered to be taken any action for its liquidation or dissolution;
  - viii) If the client has voluntarily or compulsorily become the subject of proceedings under any bankruptcy or insolvency law or being a company, goes into liquidation or has a receiver appointed in respect of its assets or refers itself to the Board of Industrial and Financial Reconstruction or under any other law providing protection as a relief undertaking;
  - ix) If the covenant or warranty of the client is incorrect or untrue in any material respect;
  - x) On the order from any appropriate authority.

**K. Third party funds and securities**

- In accordance with SEBI circular dated August 27, 2003, Daiwa requires all its clients to make payout of funds and securities from the account held in their name towards their settlement and margin obligation. Similarly, payout of funds will be made in client’s name and securities will be transferred only to demat account held in client’s name and registered with Daiwa. Proofs regarding account being held in client’s name i.e. copy of cheque book/bank statement in case of funds and copy of DP master in case of securities needs to be provided by the client. Receipt of funds/securities will be accepted only from these accounts.
- Payment made from any other account will be treated as “third party”. In no circumstance, third party funds and securities will be accepted towards settlement and/or margin obligation.

## **FAQ on Anti Money Laundering**

### **I. About money laundering**

#### **1. What is money laundering?**

Money Laundering refers to conversion of money illegally obtained to make it appear as if it originated from a legitimate source. Money laundering is being employed by launderers worldwide to conceal criminal activity associated with it such as drugs / arms trafficking, terrorism and extortion. All crimes that produce a financial benefit give rise to money laundering.

#### **2. How does money laundering affect business?**

The integrity of the banking and financial services marketplace depends heavily on the perception that it functions within a framework of high legal, professional and ethical standards.

A reputation for integrity is the one of the most valuable assets of a financial institution.

If funds from criminal activity can be easily processed through a particular institution – either because its employees or directors have been bribed or because the institution turns a blind eye to the criminal nature of such funds – the institution could be drawn into active complicity with criminals and become part of the criminal network itself. Evidence of such complicity will have a damaging effect on the attitudes of other financial intermediaries and of regulatory authorities, as well as ordinary customers.

As for the potential negative macroeconomic consequences of unchecked money laundering, one can cite inexplicable changes in money demand, prudential risks to bank soundness, contamination effects on legal financial transactions, and increased volatility of international capital flows and exchange rates due to unanticipated cross-border asset transfers. Also, as it rewards corruption and crime, successful money laundering damages the integrity of the entire society and undermines democracy and the rule of the law.

#### **3. What is the connection with society at large?**

The possible social and political costs of money laundering, if left unchecked or dealt with ineffectively, are serious. Organised crime can infiltrate financial institutions, acquire control of large sectors of the economy through investment, or offer bribes to public officials and indeed governments.

The economic and political influence of criminal organisations can weaken the social fabric, collective ethical standards, and ultimately the democratic institutions of society. In countries transitioning to democratic systems, this criminal influence can undermine the transition. Most fundamentally, money laundering is inextricably linked to the underlying criminal activity that generated it. Laundering enables criminal activity to continue.

### **II. Laws in India related to Anti money laundering**

There is an Act called Prevention of Money Laundering Act 2002.(PMLA). The purpose of this act is to prevent the financing of terrorism and to prevent laundering of money i.e. to legalize or officialize or canalize the money generated from illegal activities like drug trafficking, organized crimes, hawala rackets and other serious crimes. This act is a part of the Global measures being taken by all the countries under the initiatives of UN agencies.

It is applicable to all SEBI Registered brokers/subbrokers and other financial institution who are dealing in any kind of financial assets. It is an obligation of the entities to whom this Act is applicable, to report

certain kind of transactions routed through them to FINANCIAL INTELLIGENCE UNIT, a department specially set up to administer this Act under the Ministry of Finance.

The transactions which are supposed to be reported are cash transactions above rupees ten lakhs or series of cash transactions below ten lakhs but aggregating to above ten lakhs in a month or its equivalent in any foreign currency and the transactions which may not be in cash but suspicious in nature. Any such types of transaction, though not executed but attempted and failed are also required to be reported.

SEBI has issued master circular no. ISD/AML/CIR-1/2010 dated February 12, 2010. You are requested to go through the same for more details.

### **III. Client obligation related to Anti money laundering**

#### **1. What has this got to do with opening Trading/Demat account?**

The first step in the laundering process for criminals is to get their money into an account with a Bank/Financial intermediaries, often using a false identity and address. The funds so deposited will be transferred to other accounts locally or abroad or used for buying goods or services. This transaction would appear to be like any legally earned money and becomes difficult to trace it back to its criminal past. SEBI registered Intermediary under law should not only prevent this, but should stop criminals who wish to use the banking/Financial channel to launder the ill-gotten money from illegal / criminal activities.

#### **2. Why does the (DAIWA) ask you for proof of your Identity, Signature and Address?**

The identification of a customer is a very critical process with a view to protect the customer interests by preventing from fraudsters who may use the name, address and forge signature to undertake benami / illegal business activities. This also helps to safeguard the intermediaries from being unwittingly used from the transfer or deposit of funds derived from criminal activity or for financing of terrorism. Identification of customers will also help to control financial frauds, identify money laundering and suspicious activities. The Prevention Of Money-Laundering Act, 2002 (PMLA) was notified on July 1, 2005. As per the provisions of PMLA Act and as per the circular issued by Securities and Exchange Board of India (SEBI) on 18th January 2006 and subsequent circulars issued in this regard, every market intermediaries registered with SEBI is obligated to adopt a policy framework with respect to antimoney laundering measures. DAIWA is inter alia a stock broker, depository participant and a portfolio manager registered with SEBI and needs to adhere to the same.

#### **3. How could money laundering affect you as a customer?**

A key defence against money laundering is to prevent accounts being opened in false identities.

Anyone wishing to open an account will therefore be asked for proof of their identity, address and signature. These documents have to be essentially obtained irrespective of the type of account to be opened and the purpose for which the account is opened for. The fact that these documents are asked for opening of account does not mean that you are suspected of money laundering. Criminals try to appear to be normal law-abiding customers, for example they may try to open a number of accounts using small amounts of money. Hence it is necessary to identify all prospective account holders or customers.

Anybody including a criminal could falsely use your identity, if these identity documents are not obtained.

#### **4. What proof of identity will you need?**

The best identification documents are those which are issued by a Government authority, which should have a photograph, address and signature. You may provide one single document which can establish your identity, address and the signature or two or more documents. For an individual, documents like copy of the Passport, Election Identity Card, Driving License, Permanent Account Number (PAN) card, etc. would be sufficient for the purpose of

establishing the identity, address and signature.

Similarly, for other entities like firms, companies, trusts, documents like - Deed, Memorandum & Articles of Association, Certificate of Incorporation etc. would be applicable and the branch / sales staff / call centre would be able to help you in providing the details of the list of approved documents. As per SEBI regulations, DAIWA is under obligation to obtain sufficient information in order to identify persons who beneficially own or control securities account.

The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

#### **5. What if you cannot provide the documents suggested?**

If you cannot provide the basic KYC documents the company will not be in a position to open your account.

#### **6. What are the responsibilities of a client related to money laundering?**

DAIWA has to conduct ongoing due diligence and scrutiny, i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the customer, its business and risk profile, taking into account, where necessary, the customer's source of funds. Clients should provide DAIWA with updated details of their occupation, source of income and give details of their annual income and networth on annual basis. Further, they should provide explanation for any trading pattern observed by DAIWA in its routine course.

#### **7. Help us to help you**

Please help us to prevent crime, tax evasion and the laundering of the proceeds of such crime or evasion by being patient when staff asks you to provide documents to prove your identity.

You can also help prevent crime against yourself and others by maintaining the confidentiality of your account details and identity documentation.

**Annexure – 8**  
**Tariff Sheet**

Daiwa Capital Markets India Private Limited charges brokerage not exceeding 250 bps excluding Securities Transaction Tax (STT). In some exceptional cases the brokerage may be charged at rates as may be mutually agreed between you the client and our Head of Equity from time to time.