

## **POLICIES AND PROCEDURES PERTAINING TO DEALINGS WITH CLIENTS FOR EQUITY, DERIVATIVES, COMMODITY DERIVATIVES AND OPTIONS TRADING**

### **1. REFUSAL OF ORDER(S) FROM THE CLIENTS INCLUDING FOR PENNY STOCKS:**

Axis Securities Limited ("ASL") offers trading in most of the liquid stocks & commodities traded on the stock exchanges. Some of the stocks such as penny stocks i.e. stocks whose market price is less than their face value, scrips traded in physical mode or scrips which do not meet ASL's internal criteria may not be allowed by ASL for trading. "Penny Stocks" also include, scrips having large bid-ask spreads, low market capitalization due to unsound fundamentals, "Z" category stocks or stocks, which have high chances of manipulations. Also, the Exchanges from time to time provide a list of securities categorized as "Illiquid Securities". ASL may at its discretion or based on directives of the Exchanges may also restrict trading in illiquid securities from time to time. Any existing scrip enabled for trading may be deactivated by ASL as and when such scrips meet the criteria as defined by ASL for illiquid scrips, even if the Client had purchased the scrips through ASL. Further, ASL may also at any time, at its sole discretion as a risk containment or surveillance measure and without prior notice to the client, restrict client's ability to trade in any specific security/commodity through ASL. Such restrictions could be only on buy or sell or both. Any losses if any on account of such restriction shall be borne by the client only. Further, ASL may from time to time require compulsory settlement / advance payment of expected settlement value/delivery of securities/commodities for settlement prior to acceptance /placement of order(s) which are larger than ASL's internal decided limits. The client agrees that the losses, if any on account of such refusal or due to delay caused by such limits, shall be borne exclusively by the client alone.

### **2. CLIENT'S EXPOSURE LIMITS:**

ASL from time to time may impose quantity and/or value limits on the orders that a client can place through its system (including exposure limits, turnover limits, limits as to the number, value and/or kind of securities/commodities in respect of which orders can be placed etc.). ASL may need to vary or reduce the limits or impose new limits urgently on the basis of risk perception and other factors considered relevant including but not limited to restrictions on limits on account of exchange/SEBI directions/limits (such as broker level/market level limits, security & commodity specific/volume specific exposures etc.). ASL may be unable to inform the client of such variation, reduction or imposition in advance. ASL shall not be responsible for consequences of such variation, reduction or imposition or the client's inability to route any order through ASL on account of any such variation, reduction or imposition of limits. Such exposure limits may be set upto a predetermined number of times of the Margin (the "Multiple") and the quantum of the Multiple shall be decided at sole option or discretion of ASL. Such multiple may be changed at the discretion of ASL from client to client depending on various factors, which inter alia include factors like market conditions. Client shall abide by the exposure limits, if any, set by ASL or by the Exchange or Clearing Corporation or SEBI from time to time. The exposure limits set by ASL do not create any right in favour of the Client and are liable to be withdrawn at any time without notice and the client shall bear the loss on account of withdrawal of such limits. ASL may at any time, at its sole discretion and without prior notice, prohibit or restrict the client's ability to place orders or trade in securities/commodities through ASL, or it may subject any order placed by the client to a review before its entry into the trading systems and may refuse to execute/allow execution of orders due to various factors including but not limited to the reason of lack of margin/securities/commodities or the order being outside the

limits set by ASL/Exchange/SEBI and any other reasons which ASL may deem appropriate in the circumstances.

Limits/Exposure provided shall vary based on the intraday profit /loss made by the client. Exposure limits against collateral/stocks/commodities shall be given only against approved securities/commodities as decided by the Exchanges/ASL from time to time and subject to such haircut and valuations as may be decided by ASL from time to time. ASL from time to time may change the applicable haircut or apply a haircut higher than that specified by the Exchanges. In case of equity derivatives and commodity derivatives, Clients shall be allowed to trade only upto the applicable client wise position limits set by the Exchanges/Regulators from time to time.

ASL from time to time may change the applicable haircut or apply a haircut higher than that specified by the Exchanges. ASL is entitled to include/appropriate any/all pay out of funds &/or securities/commodities towards margin/security without requiring specific authorizations for each payout. ASL is entitled to transfer funds &/or securities/commodities from client account for one exchange &/or one segment of the exchange to his/her/its account for another exchange &/or another segment of the same exchange whenever applicable and found necessary by ASL.

### **3. BROKERAGE RATE:**

Brokerage will be charged within the limits prescribed by SEBI / Exchange. Further, statutory levies shall be charged as applicable. Schedule of Brokerage currently applicable shall be as per Tariff sheet. The slab rate of brokerage shall be reviewed by ASL from time to time and may be changed in such manner as ASL may deem fit provided that the same would not contradict the regulatory provisions.

### **4. IMPOSITION OF PENALTY / DELAYED PAYMENT CHARGES:**

The client shall pay ASL settlement dues, brokerage, statutory levies (including any amount due on account of reassessment / backlogs etc.) and taxes etc. as are applicable from time to time. If the client fails to make payment of the amount due within the time frame specified by ASL, it shall be entitled to levy such charges by way of penalty or interest on delayed payment not exceeding at the rate of 18% per annum on amount due. This levy is only penal measure in case client defaults in meeting settlement and margin obligations and should not be construed as funding arrangement by the client and further the client cannot demand continuation of service on a permanent basis by citing this levy of delayed payment charges. Further, where ASL has to pay any fine or bear any punishment from Exchange or any authority in connection with/a consequence of/in relation to any of the orders/trades/deals/actions/inactions of the client, the same shall be recovered from the client. ASL shall not be liable to make payment of any interest or delayed payment charges on the credit balance, if any, lying in the client's ledger, margin account, deposit etc. with ASL. ASL may seek from the client to pay brokerage, all taxes, duties, levies imposed by any authority including but not limited to the stock and commodity exchanges, transaction expenses, incidental expenses such as postage, courier, physical document handling charges etc. as they apply from time to time to the client's account/transactions/services that the client avails from ASL.

### **5. THE RIGHT TO SELL CLIENTS' SECURITIES/COMMODITY OR CLOSE CLIENTS' POSITIONS, WITHOUT GIVING NOTICE TO THE CLIENT, ON ACCOUNT OF NON-PAYMENT OF CLIENT DUES:**

ASL shall have the rights to square off the position(s) of the Client (Including the right to refer the matter to arbitration), sell client's securities, commodities, both unpaid commodities as well as collaterals deposited towards margins with no obligation of communicating the same to the Client, for nonpayment of margins or other amounts, including the pay in obligations, outstanding debts etc. and adjust the proceeds of such liquidation/close out, if any, against the clients liabilities/obligations/dues. ASL reserves the right to decide the order price keeping in view of the size of the order and the depth of the market.

If the client does not square off his open Intraday positions before the specified time (currently 2.45 p.m for Equity and 4.30 p.m for Agri Commodities, 8.30 p.m for Internationally Link Agri Commodities and 11.00 p.m for Other Commodities or the client does not convert the open positions to delivery, ASL shall attempt to square off/close out the open positions on the same day before closure of the market. On the days of market volatility or when there are system issues, ASL shall have the right to change/modify the timings of square off by either pre-poning or postponing the same. Further, whenever any price of stock/commodity or underlying contract breaches the internally prescribed percentage change, ASL may at its discretion square off the existing open positions in the Margin segment(s) without giving any prior notice to the customers. However, ASL does not guarantee square off of open positions.

Clients solely are responsible for profit/loss from open positions. However in case of Intraday positions, ASL shall attempt to square off/close the open positions on the same day or in case of any difficulties/issues, on the next trading day. ASL does not guarantee square off of such open positions. Clients are solely responsible for profit/losses arising out of such positions.

The Client accepts to comply with ASL's requirement of payment of Margin/settlement obligations of the Client, immediately failing which ASL may sell, dispose the securities/commodities already placed with it as Margin/lying in the beneficiary account of ASL and/or cancel pending orders and/or square-off all or some of the outstanding margin/ equity Derivative positions /Commodity derivative positions of the Client, as it deems fit at its sole discretion without further reference to the Client and any resultant or associated losses that may occur due to such square off/sale shall be borne by the Client. ASL shall be fully indemnified and held harmless by the Client in this behalf at all times.

The client shall ensure timely availability of funds/securities/commodities in designated form and manner at designated time and in designated bank, depository account(s), commodities account at designated place, for meeting his/her/its pay in obligation of funds, securities and commodities. If the client fails to maintain or provide the required margin / fund/ security/ commodity or to meet the funds/margins/ securities / commodities pay in obligations for the orders / trades / deals of the client within the prescribed time and form, ASL shall have the right without any further notice or communication to the client to take any one or more of the following steps:

- i. To withhold any payout of funds / securities / commodities.
- ii. To withhold / disable the trading / dealing facility to the client.
- iii. To liquidate one or more security(s)/commodity(s) of the client by selling the same in such manner and at such rate which ASL may deem fit in its absolute discretion. It is agreed and

understood by the client that securities/commodities here includes securities/ commodities which are pending delivery/ receipt.

iv. To liquidate / square off partially or fully the position of sale & / or purchase in any one or more securities / contracts / commodities in such manner and at such rate which ASL may decide in its absolute discretion.

v. To take any other steps which in the given circumstances, ASL may deem fit.

The client agrees that the loss(s) if any, on account of any one or more steps as enumerated herein above being taken by ASL, shall be borne exclusively by the client alone and agrees not to question the reasonableness, requirements, timing, manner, form, pricing etc., which are chosen by ASL.

In exercise of ASL's right to sell securities/commodities, the choice of specific securities/ commodities to be sold and/or orders to be cancelled shall be solely at ASL's discretion. Where the margin/security is made available by way of securities/commodities, ASL shall have the discretion to decline its acceptance as margin/security/commodity and/or to accept it at such reduced value as ASL may deem fit by applying haircuts or by valuing it by marking it to market or by any other method as ASL may deem fit in its absolute discretion. The resultant or associated losses that may occur due to such squaring -off or sale of such securities/commodities shall be borne by the Client. Such liquidation or close out of positions shall apply to any segment/exchange in which the Client does business with ASL.

The client has to maintain applicable margin all the time i.e. till positions are open. ASL reserves the right to change/modify the margin requirements at any point of time and if the client fails to meet the margin requirements, ASL has the discretion to square off the open positions to the extent that the existing margin after deducting MTM losses meets the Initial Margin requirements of ASL for the remaining open positions. ASL may decide at its sole discretion to exercise or not to exercise the rights to square off the positions, that are failing to meet the margin requirements. Further, the client has been provided with tool/web page on the trading website through which he can ascertain details of his open positions, amount of margin blocked, margins required, MTM loss, margin percentage etc. The MTM losses and margin requirement displayed on these /web pages will be considered as demand for the additional margin required by ASL. ASL may not inform each and every client (one to one) regarding the margin requirements/additional margin top up calls/margin availability before squaring off the open positions. Clients are responsible/bound to monitor and review their open positions and margin requirements all the times and furnish the additional margin to ASL before the positions are squared off by ASL.

Where there is breach in shares/underlying scrips/commodity specific market wide position limit (MWPL) as specified by Exchanges, client will not be permitted to take fresh positions in that share/underlying/commodity but he can square off his existing open positions. In case any of the positions limits (Client level, Trading Member level, Market wide level) are breached, ASL may initiate square off.

## **6. SHORTAGES IN OBLIGATIONS ARISING OUT OF INTERNAL NETTING OF TRADES:**

The treatment of shortages shall be as below:

Equities :

a) Short Delivery to the Exchange for scrip at the broker level: In case of short delivery to exchange, the settlement happens as per the auction/close-out mechanism of Exchange and auction/close-out debit received shall be passed to the defaulting client who did not fulfill his selling obligation.

b) Short delivery of pay-out to internal clients who bought the scrip on that day due to internal shortage (Client to Client shortage):

The Valuation price shall be higher of, 5% above the closing price of Auction date in normal market of the exchange,

or

Highest traded price between Trade date and Auction date.

The defaulting client on sell side will be debited by the amount equivalent to the quantity short delivered multiplied by the valuation price. The client on the buy side will be credited by the same amount debited to defaulting client on sell date as computed above.

Commodities :

a) Short Delivery to the Exchange for Commodity at the broker level: In case of short delivery to Exchange, the settlement happens as per the auction/close-out mechanism of Exchange and auction/close-out debit received shall be passed to the defaulting client who did not fulfill his sell delivery obligation.

b) Short delivery of pay-out to internal clients who had bought the commodity due to internal shortage (Client to Client shortage):

The defaulting client on the sell side will be debited by the close out amount (close out price X quantity) that would have been debited by the concerned Exchange had the default in delivery of the particular commodity on the relevant settlement date took place on the Exchange, plus any penalty/charges that would have been levied by Exchange etc

All losses to the client on account of the above shall be borne solely by the client and ASL shall not be responsible for the same. In case of any claim against ASL, the Client shall indemnify ASL in this regard. All the securities having corporate action will be settled on cum basis in favour of buyer. There will be no further communication for the same.

## **7. CONDITIONS UNDER WHICH CLIENT IS NOT ALLOWED TO TAKE FURTHER POSITIONS OR BROKER MAY CLOSE THE EXISTING POSITIONS OF THE CLIENT:**

ASL has margin based Risk Management System (RMS) policy. Client may take margin exposure upto the amount of margin available with ASL. Client may not be allowed to take position in case of non-availability/shortage of margin as per RMS policy of the Company, securities/commodity breaching the position limits specified by the Exchanges/regulators from time to time, regulatory restrictions/directives and other conditions as may be specified by ASL

from time to time in view of market conditions etc. The existing positions of the client are also liable to square off/close out without giving notice due to shortage of margin/non making of payment for their pay in obligation/outstanding debts. In the event of liquidation/square off of the open positions, the client shall be liable to pay for any resultant losses and all associated costs incurred by ASL. ASL may insist for additional margin. If the client's order is executed despite a shortfall in the available margin, the client, shall make up the shortfall suo moto immediately. The client further agrees that he/she/it shall be responsible for all orders (including any orders that may be executed without the required margin in the client's account) &/or any claim/loss/damage arising out of the non availability/shortage of margin/ non availability of /shortage of security as required by the stock broker & / or Exchange &/or SEBI.

ASL shall be entitled to include /appropriate any/all pay out of funds &/or securities/ commodities towards margin/security without requiring specific authorizations for each payout.

ASL may disable/freeze the account &/or trading facility/any other service, if in its sole opinion, the client has committed any unlawful activity or has acted in contradiction of the ASL Terms & Conditions for trading account or/is likely to violate any law, regulation, direction of an authority whether Indian or foreign or if ASL so apprehends.

ASL at any point of time and on its sole discretion and without prior notice to the client may prohibit or restrict client's access to trade in all securities/commodities or in any specific security/ commodity, either buy or sell or both. In case of securities/underlying/commodities in ban period, ASL may not accept further orders in contracts for such securities/underlying/commodity. This action of ASL may also impact the client from rolling over an existing position. ASL shall not be liable for any resultant losses. In case the client has given a Power of Attorney to ASL, ASL may use its discretion to debit the bank/demat accounts of the customer to recover dues/margin etc.

All losses to the client on account of the above shall be borne solely by the client and ASL shall not be responsible for the same. In case of any claim against ASL, the Client shall indemnify ASL in this regard.

#### **8. TEMPORARILY SUSPENDING OR CLOSING OF CLIENT'S ACCOUNT AT THE CLIENT'S REQUEST:**

The client may request ASL by giving 7 days prior notice in writing to suspend his account temporarily.

ASL may suspend/close the client account, if ASL observes any abnormal or suspicious activity in the client account through its monitoring and surveillance of the client account. ASL may also at any time, suspend or close the client account due to any action from SEBI (e.g. SEBI orders) or Exchange, Circulars or other regulatory direction/action. Further, ASL may also temporarily suspend/close the client account if there is no activity in the client account for a period of 24 months, as deemed fit by ASL from time to time. ASL/Client can also initiate closure of account by giving 30 days written notice. Further, ASL can withhold the payouts of client and suspend his/her trading account due to his surveillance action or judicial or/any regulatory order/action requiring client suspension.

All losses to the client on account of the above shall be borne solely by the client and ASL shall not be responsible for the same. In case of any claim against ASL, the Client shall indemnify ASL in this regard.

#### **9. DEREGISTRATION OF A CLIENT:**

ASL shall be entitled to deregister the client:

1. If the client breaches any terms, conditions for ASL trading account.
  2. Upon the death, winding up, bankruptcy, liquidation or legal embargo placed on the client or is designated as a defaulter by a bank or an appropriate agency or any action or proceeding has been initiated by any relevant Regulation/Authority including without limitation to SEBI.
  3. The client has misrepresented facts at the time of account opening or at the time of giving instructions to ASL or otherwise.
  4. Any proceeding or investigation that involve the client or his/its properties, has been initiated or is ongoing.
  5. The client has violated any law particularly the Securities law, Bye-laws, Rules and Regulations of the respective Stock Exchanges or Commodity Exchanges on which the client trades.
  6. If the actions of the client are prima facie illegal/improper or such as to manipulate the price of any securities/commodities/derivatives or disturb the normal/proper trading in securities/commodities/derivatives or disturb the normal/proper functioning of the market, either alone or in conjunction with others.
  7. On receipt of an order from the Regulatory authorities/SEBI/Police Authorities/Others.
  8. If the client is declared as debarred entity by the regulatory authorities.
  9. Where the client has not cleared debits in his/her account in prescribed time,
  10. Irregular trading pattern from surveillance /Money Laundering perspective
  11. Where the client is categorized as ineligible to transact due to being non- traceable, pending disputes, and any other circumstances leading to raising non confidence in client including return of undelivered couriers citing reason of no such person / addressee left /refusal to accept mails or Digital Contract Notes (DCN) failed (Bounced email) multiple times or non-updation of financial and other details viz email id, mobile no., land line, details or it is found to be belonging to a third person.
- Under such other circumstances as ASL might think just and proper on case-to-case basis.
13. If the client is found to be KYC non-compliant.

14. If the client being a partnership firm, has taken any steps and/or its partners has taken any steps for dissolution of the partnership

15. If there is reasonable apprehension that the Client is unable to pay its debts or the Client has admitted its inability to pay its debts, as they become payable;

16. If the Client suffers any adverse material change in his / her / its financial position or defaults in any other agreement with ASL;

**INACTIVE CLIENT ACCOUNT:** A Client account will be considered as inactive if the client account does not record any trade or does not register any financial transaction like IPO, Bonds, Mutual Fund, Commodity etc., for a period of 2 years. Calculation will be done at the beginning of every month and those clients who have not traded even a single time or did not execute any financial transaction like IPO, Mutual Fund, Commodity etc. through AxisDirect in the preceding 24 months will be considered as inactive. If the account is tagged as a dormant/inactive then the surplus Funds or Securities/Commodities lying with ASL shall be refunded /returned to clients at his/her last known Bank account/DP account or at such other address as mentioned in the account opening form.

**REACTIVATION:** The client can reactivate his/her trading account by calling the Call centre (after due authentication) or by sending a request email from his/her registered email id or by submitting a physical letter duly signed. The company shall also have the discretion to reactivate a trading account, after doing adequate due diligence, as the company may consider fit and proper.

**Client Acceptance & Acknowledgement:** These policies and procedures may be amended / changed by ASL, provided the change is informed to the client through any one of the means or method like posting on the website of ASL or sending by speed post / courier / registered AD/ e-mail. These policies and procedures are to be read along with the client broker document signed and shall be compulsorily referred to while deciding any dispute / difference in claims in between client and ASL in any court of law, judicial / adjudicating authority, including arbitrator, mediator etc.

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