

## MANDATORY AND VOLUNTARY DOCUMENTS UNDER UNIFORM DOCUMENTARY REQUIREMENTS OF SEBI

To  
**Karvy Stock Broking Limited**  
"KARVY HOUSE", 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034.

Dear Sir,

### **Ref. : Mandatory and voluntary (Optional) documents under Uniform Documentary Requirements for Trading**

This has reference to the KYC, Rights and Obligations", Risk Disclosure Document ,Guidance Note, Policies & Procedures and Tariff sheet executed by me/us for the purpose of availing the securities trading facilities with KSBL along with various add-on products and related services. The authorized staff of KSBL has briefed me/us on the Mandatory and Non Mandatory (Voluntary) documents to be executed which form part of KYC.

I/We understand that pursuant to SEBI Circular Reference number CIR/MIRSD/16/2011 dated August 22, 2011 on model format of uniform set of documents prescribed by SEBI (1) Client registration form, 2) Rights and Obligations", (3)Risk Disclosure Document ,(4) Guidance Note, (5) Policies & Procedures of the Stock Broker and (6) Tariff sheet

#### **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 by-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.

## **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.

## 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.nseindia.com](http://www.nseindia.com); [www.bseindia.com](http://www.bseindia.com); [www.mcx-sx.com](http://www.mcx-sx.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.

I/We have executed the documents as listed below,\*with the clear understanding that these documents are voluntary and are signed at my/our own discretion.

- i. General Terms & Conditions governing services provided by KSBL
- ii. Ten point undertaking/ authorization
- iii. Consent for Maintenance of Running Account
- iv. Authorisation for Electronic Communication
- v. Mobile Declaration
- vi. Power of Attorney towards execution of DP transactions by KSBL
- vii. Mandate Form

**Note :** \$ KSBL means Karvy Stock Broking Limited

I/We have read and understood the contents of these additional documents which are required for providing me/us certain additional facilities, apart from adding more transparency to Member-constituent relationship and shall not call into question the validity, enforceability and applicability of any of the above documents and/or their clauses under any circumstances whatsoever.

I/We have an option to reject or refuse to execute any of the additional documents or strike out any of the clauses in the Optional Documents including "Terms and Conditions" for services provided by KSBL, subject to reviewal of Member constituent contractual relation and withdrawal of part/ all of additional facilities provided to me/us by KSBL.

Based on the above, I/We exercise my/our option while executing Optional Document relating "Terms and Conditions" of services provided by KSBL and other non-mandatory documents. Even after execution of the Client Registration Documents, I/We have a right to terminate any or all of these additional (optional) documents and/ or to reject any or all of the non-

mandatory clauses, by giving KSBL notice in writing. However, in such an eventuality, I/We authorize the KSBL to terminate additional facility and KSBL shall also have the right to review our contractual relation and/ or terminate the Member-constituent relationship.

#### **GENERAL TERMS AND CONDITIONS GOVERNING THE SERVICES PROVIDED BY KSBL (Optional Document)**

This document contains “Terms and Conditions” which are in addition to “Rights and Obligations”, Risk Disclosure Document, Guidance Note, Policies & Procedures and Tariff sheet which the client has read and agreed as per the mandatory documents prescribed by SEBI. The clauses mentioned in this document have been added to ensure smooth functioning of trading and to enhance transparency of Member Constituent relationship. It is left to the discretion of the client to sign this document as it token of the client having understood and agreeing to the “Terms and Conditions” that follows. The client has right to strike out any of the Terms and Conditions stated in this Document, which he is not agreeable to or may subsequently write to KSBL to strike out or revoke any of the Terms and Conditions which he is not in agreement.

In this document containing Optional “Terms and Conditions” the word ‘he’ also means ‘she’ and ‘it’ as the case may be and the usage of masculine gender in this agreements also refers to the feminine gender or the neutral gender as the case may be, KARVY STOCK BROKING LTD. herein for the sake of brevity, has been referred to as “KSBL”.

#### **Optional Terms and Conditions**

##### **A. OBLIGATORY ON CLIENT TO TRACK MARGIN/POSITIONS:**

1. Without prejudice to the stock broker’s other rights (including the right to refer a matter to arbitration), KSBL 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. No notice may be given to the client on such liquidation/close outs since the market conditions existing at that point of time might not allow the KSBL to give such notice. The client shall also remain in touch with KSBL to keep a regular check on his account and margin requirements and other obligations, for maintaining sufficient margin with the KSBL to undertake any transactions in his broking and offline trading. If KSBL considers it necessary for its own protection, it may require the client to immediately on demand, deposit cash or securities to its account prior to any applicable settlement date in order to assure due performance of their open contractual commitments to the respective Exchange. If client does not provide such additional cash or securities, KSBL shall have right to sell any or all securities to the extent of shortfall in client’s account and to buy any or all of relevant securities which may be short in client’s account, cancel any or all open orders and/or close any or all outstanding contracts.
2. In the event of shortfall in margin or risk to KSBL due to Intra-day loss, KSBL can sell any or all securities in the account of the client without giving notice to the client. As the client is also required to keep track on his margin position, KSBL may do the square off/selling at any time during the day in the client’s account without notice to or without obtaining consent of the client. In addition, KSBL may exercise any or all of the above rights, prior to or without any demand for additional cash or securities, or notice of sale or purchase, or other notice or intimation thereof. Any such sale or purchase may be made at any time at the sole discretion of the KSBL on any market where such business is usually transacted. The making/giving of any prior demand or call or notice of the time and place of such sale or purchase shall not be considered as a waiver of any rights of the KSBL to sell or buy without such demand, call or notice, at that time or any time subsequently.
3. The Client is responsible for all orders, including any orders that may be executed without the required Margin in the Client’s account. If the Client’s order is executed despite a shortfall in the Margin, the Client shall, whether or not KSBL intimates such shortfall in Margin to the Client, instantaneously make up the shortfall either through delivery of shares in the event of a sale or pay/transfer the required funds in the Client’s account with KSBL via wire or personal cheque, Banker’s cheque or pay order/ bank draft (with declaration from the issuing bank disclosing name of the purchaser) or bank transfer or any other mode to KSBL’s bank account.

##### **B.SQUARING OFF OF POSITIONS & SALE /LIQUIDATION OF COLLATERAL MARGINS**

4. The client shall settle the transactions, within the Exchange specified settlement time, by making the requisite payment of funds and/or delivery of the shares.
5. In case the client fails to settle the transactions within the settlement date, then KSBL has the right to square off the open and/or unpaid positions, at an appropriate time, as it deems fit, without any notice to the client. The client shall not have any right or say to decide on the timing of closure of the open positions that needs to be closed. KSBL, its Directors and employees shall not be responsible for any loss or damages arising out of such square offs. All such square off transactions shall have implied consent and authorization of the client infavour of KSBL.
6. After such square off of open positions by KSBL, as mentioned in above clauses, if there is a debit balance, the client shall pay the same immediately. However, if the client does not clear off the debit balance, KSBL shall have the right to liquidate the shares and other securities of the client (kept as collateral/margin) to the extent of the debit balance, without any intimation to the client. The client shall not have the right to decide on the timing of liquidation of shares and securities held in collateral/margin and the shares and securities that needs to be sold or liquidated. KSBL, its Directors and employees shall not be responsible for any loss or damages arising out of such selling.
7. In case of open short or sale positions, KSBL shall at its discretion close the contract through Auction/Close out at the concerned Stock Exchange or internal Auction/Close out or by effecting purchases from the market, if the Client fails to deliver the securities sold with valid transfer documents within one day of the trade execution or before delivery day (as fixed by Stock Exchange authorities for concerned settlement period), whichever is earlier. Cost of the transaction (i.e., auction or closeout), will be deductible from the margin money of the Client. The Client shall make good the shortfall, if any, immediately on being intimated of the shortfall by the KSBL. All such purchase or auction or close out transactions shall have implied consent and authorization of the client in favour of KSBL.

##### **C.THIRD PARTY PAYMENTS**

8. KSBL shall have the prerogative to refuse payments received from any bank account where the client is not the first holder or which is not mentioned in the KYC or which the client has not got updated subsequently by submitting a written request along-with adequate

proof thereof as per proforma prescribed by KSBL. KSBL shall not be responsible for any loss or damage arising out of such refusal of acceptance of payments in the situations mentioned above.

9. However, due to oversight, if any such third party payment has been accepted by KSBL and the credit for the same has been given in the client's ledger, KSBL shall have the right to immediately reverse such credit entries on noticing or becoming aware of the same. In such a case, KSBL reserves the right to liquidate any of the open positions and/or any of the collaterals received/ held on behalf of the client. KSBL, its Directors and employees shall not be responsible for any consequential damages or losses.

#### **D. THIRD PARTY DELIVERIES**

10. KSBL will refuse deliveries from any demat account that is not mentioned in the KYC, or not got updated by the client subsequently by providing a written request alongwith adequate proof thereof, even though the same might belong to the client. KSBL its Directors and employees shall not be responsible for any loss or damage arising out of such refusal of acceptance of third party deliveries.
11. However, due to oversight, if any such third party deliveries have been accepted by KSBL, then KSBL has the right to reverse the same and consider the sale position as a 'short sale' (i.e. sold without delivery) and account for it appropriately. Also, KSBL reserves the right to liquidate any open positions and/or collaterals, if required. KSBL, its Directors and employees shall not be responsible for any loss/damages arising out of such reversals of third party deliveries.

#### **E. DELIVERIES**

12. The client shall ensure that the shares are properly transferred to the designated demat account of KSBL, for effecting delivery to the Exchange against the sale position of the client. Such transfers shall be entered by the client within the time specified by SEBI/Exchanges/ KSBL. In case the client fails to transfer the shares on time to KSBL, KSBL shall not be responsible for any loss/damages arising out of such delayed transfers.
13. The client shall ensure that the DIS is filled properly, fully and correctly. KSBL shall not be responsible for any loss/damages arising out of such rejection of DIS due to the DIS slip not being in order.

#### **F. PHYSICAL DELIVERY**

14. As a part of its internal policy, KSBL will not execute any sale transactions for which delivery will be given by the client in physical form (non demat form). KSBL shall not be responsible for any loss/damage arising out of the same.
15. As a part of its internal policy, KSBL can refuse purchase of any stocks which will result in physical delivery. In case KSBL permits any such purchases, KSBL will not be held responsible for any loss/theft/bad deliveries of such physical shares.

#### **G. CORPORATE BENEFITS**

16. KSBL will make its best efforts to intimate the clients, who avail the running account facility and/or clients whose shares are lying with KSBL in its Beneficiary Pool account as collateral/margin, about the corporate benefits/announcements declared/made in the respective stocks. However, the client shall be primarily responsible to keep track of such corporate announcements. Further, KSBL will pass corporate benefits like dividends to the client's account on receipt of the same from the concerned company within a reasonable period. The client will not hold KSBL responsible for any loss/damage arising out of delay in passon of dividends or non-communication of corporate announcements.
17. In case any client wishes to avail the corporate benefit like rights, bonus, etc. and the client's shares are lying with KSBL as margin/ collateral, the client should intimate KSBL in writing about his intention and consent to avail the corporate benefit. In such a case, KSBL will apply for the corporate benefits on behalf of the client and will debit the cost to the client's account provided it has adequate funds. The client will not hold KSBL responsible for any loss/ damage arising out of any mis-communication or omission on part of KSBL in this regard.
18. In case the client is availing the facility of running account and wants the shares transferred to his demat account, prior to record date, to avail any corporate benefits, the client has to make a written request for the same atleast 48 hours prior to the record date . In such a case, KSBL will transfer the shares only if there is no outstanding debit balance in the client's account and the shares requested for transfer are fully paid for. In case there is outstanding debit balance in the client's account, KSBL will retain the shares equivalent to the debit amount (with appropriate mark up for margin) and the balance shares will be transferred to the client's account.

#### **19. RECORDING OF CONVERSATION**

KSBL may record without any obligation on its part, the conversations of the client with the dealer or any other staff of KSBL. The client agrees to the same and will not dispute or raise any objection on the same.

#### **20. NO DEALINGS IN CASH:**

KSBL as a policy neither accepts any funds for pay-in/margin in cash nor makes any payment or allows withdrawal of funds in cash. No claim will be entertained where the client states to have made any cash payment or deposited cash with any Branch/Sub-Broker/Remisier/Employee/Authorised Person of KSBL.

#### **21. POLICIES AND PROCEDURES:**

KSBL shall post all significant client related "Policies and Procedures" and General Terms and conditions governing the Services provided by KSBL and changes therein on its web site. The client is required to keep track of web site and to remain in touch with the nearest branch of KSBL, where the client normally deals, to keep a regular check on his account, margin requirements, open positions, delivery status, securities holdings, ledger balance, latest policy and procedures, General Terms and Conditions of Service, etc.

#### **22. FUNDS RECONCILIATION**

The client shall monitor and reconcile funds/securities transferred by KSBL to its Bank/DP account as part of periodic settlement of running account or bill-to-bill settlement or as part of a settlement made at a specific request of the client. The Client shall bring to the notice of the KSBL if any funds and/or securities are received in excess. The client shall return the excess securities / funds thus received from KSBL. In case the client delays in returning the funds/securities received in excess within 2 days of the receipt, KSBL shall have right to recover the same from the client's trading account by transfer of credit balance (if available) or by selling the securities available in his collateral margin account or his Demat account opened with KSBL DP. KSBL shall have right to hold back any funds or securities for which payment has been requested by the client, till the client returns to KSBL excess funds/securities thus received.

23. KSBL has the discretion to refuse orders, if in its opinion, these orders may result into trades which are manipulative in nature and/ or against the regulatory directives and/ or might result in regulatory query/ scrutiny at a later date. This is part of the due-diligence being undertaken by KSBL.

24. KSBL shall have right to allow or deny trades in any of the scrips which may be deemed to be illiquid or volatile as per the risk perception of KSBL and the client shall not question the wisdom of KSBL in denying trading in such Securities and shall also not claim any opportunity loss or damage due to denial of trading by KSBL.
25. KSBL shall have the discretion to stop accepting orders for both sale and purchase or only for sale or purchase of any of the scrip(s) during the market hours depending upon its risk perception. Client shall not question the wisdom of KSBL in denying trading in such securities and shall also not claim any opportunity or other loss or damage due to denial of trading by KSBL.
26. KSBL shall have the authority to use any algorithm of its choice for identifying any of the trades as delivery trades, identifying any of the short deliveries for Exchange or Internal Auctions, allocation of delivery received in pay-outs from the Exchanges to any client/client category, and other processes of settlement, provided KSBL follows such algorithm uniformly across all the clients/client categories. However, KSBL shall have the discretion to assign and/or modify priorities assigned to any category of clients in such algorithms to any other category of the clients without informing /notice to the client.
27. KSBL may combine ledger statements in respect of transactions made by a client on various Segments and Exchange(s) for the purpose of operational convenience, settlement and Risk Management. The payments may be received, paid and appropriated by KSBL across segments and Exchange(s) at its sole discretion to which the client shall not have any objection.

**28. DISCLOSURE OF PROPRIETARY TRADING BY KARVY STOCK BROKING LIMITED (KSBL)**

Pursuant to SEBI Circular Number SEBI/MRD/SEC/Cir-42/2003 dated November 19, 2003, KSBL discloses to its clients about on proprietary trades.

KSBL does not do any proprietary trades in the cash and derivatives segment at NSE, BSE. However, if at any later date, KSBL intends to do proprietary trading, it can do so after intimating the clients through display of notice to that effect at branches (or) on its website karvyonline.com (or) Email (or) a letter to the client.

**H. TERMS AND CONDITIONS FOR ONLINE IPO BIDDING / MUTUAL FUND INVESTMENT, BONDS, CERTIFICATE OF DEPOSIT AND OTHER FINANCIAL PRODUCTS.**

29. The client can avail on-line/off-line facility to invest in Bonds, Debentures and other securities, whether listed or unlisted, including units of Mutual funds, Government Securities, Certificate of Deposits like fixed deposits of banks, NBFCs and other companies, commercial papers and money market instruments (hereinafter referred to as the "Securities") and/or apply for IPOs/Public Offers and follow up offers of various companies.
30. For availing the online investment facility, the client agrees to log on to www.karvyonline.com or such other web site as communicated KSBL from time to time. KSBL at its discretion may provide to its clients facility for IPO Bidding, Mutual Fund and other investments through telephonic requests or other modes, upon fulfillment of conditions prescribed by KSBL from time to time.
  - a. The client understands that KSBL is not responsible for any omission/error on part of the Asset Management Company (AMC) / their Authorised Registrar.
  - b. The client understands that application to the schemes of Mutual Funds will be made in the name of sole / first applicant only and IPO bids will be placed in the name(s) of Demat account holder(s).
  - c. The client understands that his existing mutual fund folios as available in the Karvy Mutual Fund Client ID would be updated in his I-Zone account. However, Online transactions in the offline folios can be executed only upon giving a letter of request for conversion of offline folios in to online folios by the sole applicant along with an approval letter from the distributor, subject to acceptance of such request by respective AMCs.
  - d. The client understands that the Mutual fund data as per existing mutual fund client ID would be populated in the I-Zone account if name of applicants in the folios match with the name of applicants in the same sequence.
  - e. The client understands that all communications, including login password, mutual fund account statements, by KSBL, with regard to the I-Zone account would be made through e-mail to the First applicant. Further, the mutual fund account statements would be consolidated for all folios transacted in the I-Zone account.
  - f. The client clearly understands that KSBL has not conducted independent verification of the depository account details provided by the applicant/s and shall not be responsible for any error in account number or in case the account is inactive or blocked.
  - g. The client understands that it shall be wholly responsible for all investment decisions and trades made through KSBL.
  - h. The client understands that the cut-off time for mutual fund & IPO transactions for the online platform can be different from the same as given in the respective offer documents for operational convenience (at least two hours before the cut off time given in offer forms) and that KSBL bears no liability for orders placed after the cut-off time.
  - i. The client agrees to pay all charges and fees applicable to his account as specified on Web site and as applicable from time to time.
  - j. The client undertakes to report any mismatch in the transactions relating to Mutual funds / IPO to KSBL as soon as he/she discovers any discrepancies. KSBL shall communicate the same to the Exchange/ Asset Management companies and coordinate to get the same rectified. However, the client understands that KSBL displays the information as received from the AMC / Exchange and shall not be liable for any such discrepancy.

**31. CONFIDENTIALITY OF CLIENT INFORMATION**

Notwithstanding any obligation on KSBL to maintain confidentiality of information, KSBL may disclose, share or part with all the information, data or documents relating to client's application and transactions to SEBI, Exchanges, KSBL Group Companies / Credit Bureaus/Agencies / Statutory Bodies and/or any other competent authority without prior consent or without notice to the client.

**32. INVESTMENT ADVICE**

- i. KSBL shall not be under obligation to provide any legal, tax, investment or account advice or advice regarding the suitability or profitability of a security or investment
- ii. Any recommendatory calls given by KSBL shall not imply solicitation of investment or action by the client and the client will take his own decisions, may be in consultation with his financial advisor, whether to act on such recommendations or not.

**I. INTERNET & NET BANKING**

33. KSBL, at its discretion, will offer, to select clients facility to use the internet trading facility. The client cannot claim access to the internet trading facility provided by KSBL, as a matter of right.

34. KSBL may provide connectivity to the bank account login of the client (Payment gate-way) and also to the DP account of the client with the bank, if feasible. However, KSBL shall not be responsible for any losses caused to the client due to any deficiencies of the bank infrastructure, network failure, system breakdown.
35. KSBL or the concerned bank will modify and/or add and/or upgrade from time to time the software/hardware/operating systems etc., which are required for the smooth and safe functioning of the internet trading platform including Electronic Payment Gateway for Net banking software. The client shall not have any objection and undertakes to accept such modifications and/ or additions in hardware/ software at his end in order to be compatible with the facility offered by KSBL.
36. It may be possible that KSBL might not be in a position to support particular software provided by the bank for the facility of Electronic Payment Gateway. In such a situation it is possible that KSBL might not be in a position to continue offering internet trading facility to the clients or offer the electronic payment gateway facility through a particular bank.
37. The operation of the bank account, exclusively used by the client for transactions executed through the internet trading facility offered by KSBL, will be as per the RBI/concerned bank's guidelines and shall not be misused by the client to access or transfer funds from any third party account.
38. As conclusive proof of transactions executed by the client either through the internet trading facility provided by KSBL and or through the net banking using the Electronic Payment Gateway, KSBL will provide the relevant electronic logs available by way of system audit trail.
39. The client shall not dispute the transactions because the same has resulted in loss and the proof given by KSBL, as mentioned in above paragraph, will be sufficient enough to ascertain whether the client has executed the transactions or not.
40. The Client shall not use or permit others to use the internet trading platform and/or Electronic Payment Gateway facility for Net banking or any related services for any illegal or for other purposes than what it is meant for.
41. KSBL would allot a unique Client-ID and password to the client for accessing the internet trading platform, including the electronic payment gateway for net banking services. Under normal circumstances, the unique ID and password will be sent to the client, by email or by courier, at the client's risk.
42. The client shall be required to change the password immediately, on receipt of the same from KSBL. The client shall change the password on a regular basis to prevent any misuse. The client shall ensure that the password is kept confidential and not disclosed to any one. KSBL shall not be responsible for any loss or damage to the client due to leak of password.
43. The Client shall not attempt or permit other for accessing the account information stored in the computers of the KSBL through any means other than the Electronic Payment Gateway for Net banking service.

#### **SYSTEM RISKS**

44. The client opting for internet trading confirms that he has knowledge of how the internet works and is a user of internet. The client shall not hold KSBL responsible for his lack of computer/internet knowledge.
45. The requests for any transactions, made online, will be given effect to instantaneously. In case of any requests received after market hours or on weekly offs/ holidays/public holidays, declared by KSBL/Exchanges/bank, then the same shall be effected at the sole discretion of KSBL, without any obligation on its part, on the immediately succeeding working day on the terms and conditions prevailing on that day.
46. KSBL shall take reasonable care to ensure the security of and prevent unauthorized access to the internet trading facility and/ or the Electronic Payment Gateway facility. KSBL shall not be responsible for any loss/damage to the client due to such unauthorized access beyond the control of KSBL.
47. KSBL may specify the compulsory structure of the password like alpha numeric and special characters.
48. KSBL may, at its discretion, may require the Client to adopt such other means of authentication including, but not limited to digital certification and/or smart cards.
49. The Client shall apply for internet trading facility or avail the same only if he is eligible, as per the statutes, to avail the access for the internet trading facility and net banking facility and the client has not been prohibited, under law, to access the internet trading and net banking facility and/or deal in securities market.
50. KSBL shall be entitled to withdraw internet trading facility or use of wire-less technology or any other value added service, at any time, without assigning any reasons thereof.
51. The client agrees to pay the charges, as may be stipulated by KSBL, from time to time, for availing internet trading or use of wireless technology or other value added service. KSBL, reserves the right to debit charges related to such services from the ledger of the client.

#### **J.AMENDMENT**

52. KSBL may from time to time amend the Terms and Conditions if required, to comply with any change in the Rules, Regulations, Bye-laws, Guidelines, directions and notifications of the Exchanges and/ or the SEBI or any other competent authority or if required under its corporate policies. KSBL shall intimate the same to the Client by displaying the same on its Website or online trading/ back office system or displaying in branches or emailing to the clients on their respective e-mail address. In case the Client continues to deal with the KSBL subsequent to the intimation of such amendments, it shall be deemed that the Client is agreeable to the new clauses. However, the Client shall have the right to terminate the Member Client relationship through communication in writing with 30 days notice subject to the clearance by the Client of its financial and other obligations under these and other "Terms and Conditions".

#### **K.NOTICE PERIOD**

The client also has the right to terminate any one or more of the optional clause(s) contained in this Terms and Conditions and/ or intimated by the KSBL subsequently by giving a notice in writing, subject to reviewal of Member Constituent relation by the Stock Broker, provided the Client clears his/her/ its financial and other obligations under these and other Terms and Conditions before termination of clause(s) for which notice has been given by the client

#### **L.FORCE MAJEURE**

The KSBL shall not be responsible for any losses, costs, or damages resulting directly or indirectly from:- \

- i. KSBL and/or its Directors, Employees and Agents will not be liable for losses caused to the client directly or indirectly by the government restriction, SEBI, Exchange or market rulings, suspensions of trading, power failures, computer, communication, telephone or system failure, war, earthquake, flood, accident, power failure, equipments or software malfunction, strikes or any other conditions beyond the KSBL's controls.
- ii. The above Force Majeure events do not exempt the Client to fulfill the obligations in his account with KSBL.

I/We accept Term and Conditions given above.

Note: All references to the specific quantity/rate/fee mentioned in this "Terms and Conditions" are subject to change from time to time, as so agreed to in writing between the parties.

### **Ten Point Undertaking / Authorisation(Optional)**

With respect to Member-Constituent Relationship and Mandatory and Voluntary(optional) Documents executed between us, I / We do hereby authorize KSBL to do the following:

#### **1. Order Placement Instructions**

I understand that you require written instructions from me for placing / modifying / cancelling orders. However, since it is not practical for me to give written instructions for placing/modifying/cancelling order. Even if I have facility to trade online through Internet and wireless technology, I may have to place orders by physically visiting /calling/ Emailing the Call centre / branch specified for the said purpose by KSBL in case of breakdown of internet connectivity or other similar reasons.

I hereby request you to kindly accept my, my authorized representative or mandate holder's verbal orders/instructions, in person or over phone and execute the same. I understand the risk associated with placement of verbal orders and accept the same. I shall not disown orders under the plea that the same were not placed by me provided I am sent ECN/Physical contract notes or trade confirmations through SMS and other modes. I indemnify KSBL and its employees against all losses, damages, actions which you may suffer or face, as a consequence of adhering to and carrying out my instructions for orders placed verbally.

#### **2. ERRORS AND OMISSIONS**

I understand and agree that inadvertent errors may occur, while executing orders placed by me. In such circumstances KSBL shall make all reasonable efforts to rectify the same and ensure that the I am not put to any monetary loss. I understand and agree that I shall not hold KSBL responsible beyond this and claim additional damages/loss.

I understand and agree that my request to modify or cancel the order shall not be deemed to have been executed unless and until the same is confirmed by KSBL.

#### **3. NO MARKET MANIPULATION**

I undertake not to execute transactions, either singly or in concert with other clients, which may be viewed as manipulative trades viz. artificially raising, depressing or maintaining the price, creation of artificial volume,synchronized trades, cross trades, self trades, etc or which could be termed as manipulative or fraudulent trades by SEBI/Exchanges. In case I am found to be indulging in such activities, KSBL has every right to inform the Exchange/SEBI/other regulatory authority of the same and suspend/close my trading account.

#### **4. NOT TO ACT AS UNREGISTERED SUB BROKER**

I undertake not to act as unregistered Sub-broker and deal only for myself and not on behalf of other clients In case I wish to deal for other clients also, I undertake to apply to SEBI through KSBL to obtain a sub broker registration.

In case KSBL perceives that I am acting as an unregistered sub broker, KSBL has the right to immediately suspend my trading account and close all open positions and adjust the credits (across all segments) against the dues owed by me to KSBL without the requirement of any notice from KSBL. Further, KSBL has the right to inform the concerned regulatory authorities about the same.

In aforesaid eventuality, I agree and undertake to indemnify KSBL from any loss/ damage/claim arising out of such activity.

#### **5. NOT DEBARRED BY ANY REGULATOR**

I confirm and declare that there is no bar on me imposed by any Exchange or any Regulatory and/or Statutory authority to deal in securities directly or indirectly. I agree to inform KSBL, in writing, of any regulatory action taken by any Exchange or Regulatory/Statutory authority on me in future. In case I fail to inform the same and KSBL on its own comes to know of such action, KSBL has the right to suspend/close my trading account and refuse to deal with me.

Also, KSBL can at its sole discretion, close all the open positions and liquidate collaterals to the extent of debit balances, without any notice to me.

#### **6. PMLA DECLARATION**

I declare that I have read and understood the contents and the provisions of the PMLA Act, 2002, which were also explained to me by KSBL officials. I further declare that I shall adhere to all the provisions of PMLA Act, 2002.

I further undertake and confirm that

- a. I do not have any links with any known criminals
- b. I am a genuine person and not involved or indulge knowingly or assisted, directly or indirectly, in any process or activity connected with the proceeds of crime nor I am a party to it. The investment money is derived from proper means and does not involve any black or Hawala money in any manner.

#### **7. INDEMNIFICATION**

I hereby indemnify and hold KSBL, its Directors and employees harmless from and against all claims, demands, actions, proceedings, losses, damages, liabilities, charges and/or expenses that are occasioned or may be occasioned to the KSBL directly or indirectly, relating to bad delivery of shares/ securities and/ or third party delivery, whether authorized or

unauthorized and fake/forged/stolen shares/ securities/transfer documents introduced or that may be introduced by or through me during the course of my dealings/ operations on the Exchange(s) and/ or proof of address, identity and other supporting/ documents provided by me at the time of registration and/ or subsequently.

#### **INDEMNITY OF JOINT HOLDINGS**

I hereby agree to indemnify and hold the KSBL harmless from any claims, demands, actions, proceedings, losses, damages, liabilities, charges, and /or expenses arising from transactions in securities held jointly by me with any other person or persons, if any.

#### **8. Mutual Fund Service System (MFSS) facility**

I am interested in availing the MFSS facility of the Exchange for the purpose of dealing in the units of Mutual Funds Schemes permitted to be dealt with on the MFSS of the Exchange. For the purpose of availing the MFSS facility, I state that "Know Your Client" details as submitted by me for the opening of Trading Account may be considered for the purpose of MFSS and I/we further confirm that the details contained in same remain unchanged as on date.

I am willing to abide by the terms and conditions as has been specified and as may be specified by the Exchange from time to time in this regard. I shall ensure also compliance with the requirements as may be specified from time to time by Securities and Exchange Board of India and Association of Mutual Funds of India (AMFI).

I shall read and understand the contents of the of the Scheme Information Document and Key Information Memorandum, addenda issued regarding each Mutual Fund Schemes with respect to which I choose to subscribe/redeem. I further agree to abide by the terms and conditions, rules and regulations of the respective Mutual Fund Schemes subscribed by me.

#### **9. NRI DECLARATION**

I understand that if the sole/first applicant has or attains NRI Status, investments in scheme of mutual funds can be made only upon providing Foreign Inward Remittance Certificate ( FIRC ) to KSBL every time the investment is made.

#### **10. NOT A MEMBER OR SUB BORKER OF A RECOGNISED STOCK EXCHANGE**

I further undertake that whenever I purchase/sell any securities through my depository account, I will report such transactions on a daily basis to dealing branch/ authorised Dealer. I also state and undertake that I have complied and shall continue to comply with all the FEMA regulations from time to time.

I undertake and confirm that I am not a Member or sub-broker or employee or Authorised person of a Member of the National Stock Exchange of India Ltd. or The Bombay Stock Exchange Ltd. or any other recognized Stock Exchange and in the event of becoming Member or sub-broker or employee or Authorised person of a Member of a recognized Stock Exchange(s) in future, I shall not execute trades through KSBL.

#### **Consent for Maintenance of Running Account**

I/We understand that you are maintaining Exchange/Segment-wise ledger accounts for all the Exchanges/Segments in which I am trading and allow me deposit of funds/withdrawal of funds on combined ledger balance basis. Due to practical difficulties, I/We may not be in a position to settle my/ our trades within the Exchange specified settlement schedule. Hence, I/we request you to offer the facility of maintaining a running account with you. In this connection, I/We understand and agree to the following:

1. You can retain the funds with you, received as pay-outs from the Exchanges on my/our behalf without payment of any interest thereon. The same can be used towards margins for my/our future transactions or outstanding positions, if any.
2. You can retain the securities with you, in your margin account received as pay-outs from the Exchanges on my/our behalf at my/ our risk & responsibility. The same can be used towards margins/ collaterals for my/our future transactions or against outstanding positions, if any,
3. In case of any sale transactions done by me/us, you can automatically deliver the shares to the Exchange towards pay-in, out of my/our shares if any lying with you, on my/our behalf.
4. In case of any purchase transactions done by me/us, you can automatically make the funds pay-in to the Exchange, out of the credits lying in my/our account, on my/our behalf.
5. In case of any debit balance, in my/our account, you can square off my/our securities held with you by me/us, to the extent of my/ our debit balance, without any notice to me/us.

#### **6. Inter Segment And Inter Exchange Transfer**

You can transfer funds / securities from my/our account in one segment against my/our margin, pay-in or other obligations in another segment in the same Exchange or different Exchanges. These funds can be done either by way of a journal entry (JV) or by way of physically exchanging cheques.

7. You can transfer or release funds, / securities from my/our account in one segment against collaterals / margins for lying in another segment in the same Exchange or different Exchanges
8. I/We am aware that the term funds here means monies that is lying as credit in my/our account or pay-outs that are to be received from the Exchanges arising out of sale of securities. Similarly, I am aware that term securities here means shares lying with you, on my/our behalf, or shares that are to be received as payout from the Exchange/s.
9. In case I/We require funds or securities, I/We will submit a request for the same in writing.

10. I/We have already authorized you to transfer/pledge the shares held by you on my behalf to any Exchange, Clearing House, Clearing Corporation or Clearing Member for obtaining exposure limits and/or margin benefits. I/We understand and agree that in case where my/our securities have been transferred by KSBL to the Exchange, Clearing House, Clearing Corporation or Clearing Member, it may take it three working days to transfer the securities thus requested.
11. I/We will not hold KSBL responsible for any loss/damage arising out of such transfers or pledge of securities and or sale done by KSBL, on my/our behalf, pursuant to these instructions.
12. In case if I/We wish to withdraw this consent, I/We shall inform KSBL in writing and get it acknowledged by KSBL, fully appreciating the fact that it may take KSBL a couple of days to process my request for withdrawal of consent and act upon the same.
13. I/We opt for periodic settlement of funds and securities as mentioned in my consent letter towards transfer to my /our default Bank and default Demat account given in KYC document or through other mode at the sole discretion of KSBL.
14. I/We authorise KSBL to retain securities/ funds to meet margin obligations for the next five trading days calculated in the manner specified by the Exchanges.
15. I/We understand and agree that KSBL at its discretion may transfer the funds for periodic settlement by issuing a cheque or purchasing a Demand Draft in my/our favour and post the same at my /our address registered with KSBL as per KYC document or may transfer the same through ECS.
16. I / We undertake to transfer funds to KSBL's bank account and/ or securities to KSBL Beneficiary Pool account before undertaking any fresh trades and in case there is margin shortfall or any risk perceptions to KSBL due to market volatility, KSBL has the authority to liquidate collaterals available with it to my/our credit and also close /square off open positions to reduce the margin or pay-in liability.
17. I/We clearly understand that at the time of periodic settlement of securities, KSBL has the prerogative of not providing me/us any exposure for fresh purchases or trading in derivatives until the time I /We transfer clear funds to KSBL's bank account and /or securities to KSBL's beneficiary pool account towards discharge of my/ our pay-in or margin obligations
18. I / We undertake the responsibility to register the accurate details of default bank account and Demat account with KSBL along with supporting documents as a proof thereof If there is any change in my default bank account or default Demat account, I shall register the same with KSBL by providing proof of new bank/Demat account and shall not hold KSBL responsible in case funds/ securities are not received by me/us due to any change, in bank or Demat account or suspension / blocking of credit transfers to these accounts..
19. I / We undertake and agree that in case of any discrepancy in my/our account or any trades made without consent in my/our account or any trade dispute or dispute relating to charges/ fees debited to my/our account, I/We shall inform in writing to KSBL within seven working days from the date of receipt of funds/securities in my/our account or statement as part of periodic settlement, else it shall be deemed that I/We have endorsed and confirmed correctness of ledger accounts reflecting funds and securities and also all the transactions carried in and fees/charges debited to my/our trading account.

#### **FORCE MAJEURE**

20. The KSBL shall not be responsible for delay or default in the performance of their obligations due to contingencies beyond their control, such as fire, flood, civil commotion, riots, earthquake, war, strikes, failure of the system, failure of Internet links or Government/ Regulatory actions including without limitation, any Act of God, lockouts, law and order problem, embargo, moratorium, unforeseen declaration of a public holiday, or any other cause beyond the reasonable control of the KSBL.