

**Annexure-1**  
**ACCOUNT OPENING KIT**  
**INDEX OF DOCUMENTS**

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Name of stock broker/trading member/clearing member: **SHRI BRIJ SECURITIES PVT. LTD.**  
SEBI Registration No. and date: **INB010975932-12.12.1997 (BSE),**  
**INB010975932- 23.08.2000 (NSE)**

Registered office address: **68/D Bina Apartments, Sir M V Road, Andheri East, Mumbai-400069**  
Correspondence office address: **103 Rajendra Chambers, 19 Nanabhai Lane, Fountain, Mumbai-400001.** Ph: **022-22850199.** Fax: **022-22840999.**

Compliance officer name, phone no. & email id: **Kapurchand Maheshwari,**  
**9323831818, [shribrijsecurities@mtnl.net.in](mailto:shribrijsecurities@mtnl.net.in)**

*For any grievance/dispute please contact stock broker Shri Brij Securities Pvt. Ltd. at the above address or email id- [shribrij@rediffmail.com](mailto:shribrij@rediffmail.com) and Phone no. 91-022-22850199. In case not satisfied with the response, please contact the concerned exchange(s) BSE at [is@bseindia.com](mailto:is@bseindia.com) Phone no. 91-022-22728097.*

*Annexure-2*  
**KNOW YOUR CLIENT (KYC) APPLICATION FORM**  
**For Individuals**

PHOTOGRAPH

Please affix  
your recent  
passport size  
photograph and  
sign across it

Please fill this form in ENGLISH and in BLOCK LETTERS.

X 1

**A. IDENTITY DETAILS**

1. Name of the Applicant: \_\_\_\_\_
2. Father's/ Spouse Name: \_\_\_\_\_
3. a. Gender: Male/Female b. Marital status: Single/Married c. Date of birth: \_\_\_\_\_  
dd/mm/yyyy
4. a. Nationality: \_\_\_\_\_ b. Status: Resident Individual/ Non Resident/ Foreign National
5. a. PAN: \_\_\_\_\_  
b. Unique Identification Number (UID)/ Aadhaar, if any: \_\_\_\_\_
6. Specify the proof of Identity submitted: \_\_\_\_\_

**B. ADDRESS DETAILS**

1. Address for correspondence: \_\_\_\_\_  
\_\_\_\_\_  
City/town/village: \_\_\_\_\_  
Pin Code: \_\_\_\_\_ State: \_\_\_\_\_ Country: \_\_\_\_\_
2. Contact Details: Tel. (Off.) \_\_\_\_\_ Tel. (Res.) \_\_\_\_\_  
Mobile No.: \_\_\_\_\_ Fax: \_\_\_\_\_ Email id: \_\_\_\_\_
3. Specify the proof of address submitted for correspondence address: \_\_\_\_\_
4. Permanent Address (if different from above or overseas address, mandatory for Non-Resident Applicant): \_\_\_\_\_  
City/town/village: \_\_\_\_\_ Pin Code: \_\_\_\_\_ State: \_\_\_\_\_ Country: \_\_\_\_\_
5. Specify the proof of address submitted for permanent address: \_\_\_\_\_

**C. OTHER DETAILS**

1. Gross Annual Income Details (please specify): Income Range per annum: Below Rs 1 Lac / 1-5 Lac / 5-10 Lac / 10-25 Lac / >25 Lacs  
or Net-worth as on (date) \_\_\_\_\_ Rs. \_\_\_\_\_) (Net worth should not be older than 1 year)
2. Occupation (please tick any one and give brief details): Private Sector/ Public Sector/ Government Service/Business/ Professional/ Agriculturist/ Retired/ Housewife/ Student/ Others  
\_\_\_\_\_
3. Please tick, if applicable: Politically Exposed Person (PEP)/ Related to a Politically Exposed Person (PEP)

4. Any other information: \_\_\_\_\_

**DECLARATION**

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

X2 \_\_\_\_\_  
**Signature of the Applicant**

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

**FOR OFFICE USE ONLY**

- (Originals verified) True copies of documents received
- (Self-Attested) Self Certified Document copies received

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

**Date** .....

**Seal/Stamp of the intermediary**

**KNOW YOUR CLIENT (KYC) APPLICATION FORM**  
**For Non- Individuals**

PHOTOGRAPH

Please affix  
your recent  
passport size  
photograph and  
sign across it

Please fill this form in ENGLISH and in BLOCK LETTERS.

**A. IDENTITY DETAILS**

1. Name of the Applicant: \_\_\_\_\_
2. Date of Incorporation \_\_\_\_\_ dd/mm/yyyy & place of incorporation : \_\_\_\_\_
3. Date of commencement of business : \_\_\_\_\_ dd/mm/yyyy
4. a. PAN: \_\_\_\_\_  
b. Registration Number (e.g.CIN): \_\_\_\_\_

**5. Status (please tick any one):**

Private Limited Co./Public Ltd. Co./Body Corporate/Partnership/Trust/Charities/NGO's/FI/  
FII/HUF/AOP/ Bank/Government Body/Non-Government Organization/Defense  
Establishment/BOI/Society/LLP/ Others (please specify) \_\_\_\_\_

**B. ADDRESS DETAILS**

1. Address for correspondence: \_\_\_\_\_  
\_\_\_\_\_  
City/town/village: \_\_\_\_\_  
Pin Code: \_\_\_\_\_ State: \_\_\_\_\_ Country: \_\_\_\_\_
2. Contact Details: Tel. (Off.) \_\_\_\_\_ Tel. (Res.) \_\_\_\_\_  
Mobile No.: \_\_\_\_\_ Fax: \_\_\_\_\_ Email id: \_\_\_\_\_
3. Specify the proof of address submitted for correspondence address: \_\_\_\_\_
4. Registered office Address (if different from above): \_\_\_\_\_  
\_\_\_\_\_  
City/town/village: \_\_\_\_\_  
Pin Code: \_\_\_\_\_ State: \_\_\_\_\_ Country: \_\_\_\_\_
5. Specify the proof of address submitted for Registered office address: \_\_\_\_\_

**C. OTHER DETAILS**

1. Gross Annual Income Details (please specify): Income Range per annum: Below Rs 1 Lac /  
1-5 Lac /5-10 Lac / 10-25 Lac / >25 Lacs -1 crore > 1 crore
2. Net-worth as on (date) \_\_\_\_\_ (dd/mm/yyyy): \_\_\_\_\_ (\*Net worth  
should not be older than 1 year)
3. Name, PAN, residential address and photographs of Promoters/Partners/Karta/Trustees and  
whole time directors: (Please provide the details in the annexure provided)
4. DIN/UID of Promoters/Partners/Karta and whole time directors: (Please provide the details in  
the annexure provided)

5. Please tick, if applicable, for any of your authorized signatories/Promoters/Partners/Karta/Trustees/whole time directors: Politically Exposed Person (PEP)/ Related to a Politically Exposed Person (PEP): (Please provide the details in the annexure provided)

6. Any other information: \_\_\_\_\_

**DECLARATION**

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

\_\_\_\_\_  
Name of Authorised Signatory

X \_\_\_\_\_  
& Signature of the Authorised Signatory

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

**FOR OFFICE USE ONLY**

- (Originals verified) True copies of documents received
- (Self-Attested) Self Certified Document copies received

\_\_\_\_\_  
Signature of the Authorised Signatory

Date \_\_\_\_\_

Seal/Stamp of the intermediary



**For HUF Accounts**

From:

**Name :-** \_\_\_\_\_

**Address :-** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

To,

SHRI BRIJ SECURITIES PVT. LTD.  
103 Rajendra Chambers,  
19 Nanabhai Lane,  
Opp. Akbarallys,  
Fountain, Mumbai-400001

Dear Sir,

I, \_\_\_\_\_, Karta of \_\_\_\_\_

HUF hereby declare that the following are the coparceners of

\_\_\_\_\_ HUF.

<b>Name</b>	<b>Relation</b>	<b>Date of birth</b>	<b>PAN No.</b>

Yours faithfully

**(Signature of Karta with HUF Rubber Stamp)**

## **INSTRUCTIONS/CHECK LIST FOR FILLING KYC FORM**

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

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

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

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

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

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

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

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

**D. Exemptions/clarifications to PAN**

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

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

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

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

**F. In case of Non-Individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:**

Types of entity	Documentary requirements
<b>Corporate</b>	<ul style="list-style-type: none"> <li>➤ Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>➤ Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year).</li> <li>➤ Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations.</li> <li>➤ Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly.</li> <li>➤ Copies of the Memorandum and Articles of Association and certificate of incorporation.</li> <li>➤ Copy of the Board Resolution for investment in securities market.</li> <li>➤ Authorised signatories list with specimen signatures.</li> </ul>

<b>Partnership firm</b>	<ul style="list-style-type: none"> <li>➤ Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>➤ Certificate of registration (for registered partnership firms only).</li> <li>➤ Copy of partnership deed.</li> <li>➤ Authorised signatories list with specimen signatures.</li> <li>➤ Photograph, POI, POA, PAN of Partners.</li> </ul>
<b>Trust</b>	<ul style="list-style-type: none"> <li>➤ Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>➤ Certificate of registration (for registered trust only).</li> <li>➤ Copy of Trust deed.</li> <li>➤ List of trustees certified by managing trustees/CA.</li> <li>➤ Photograph, POI, POA, PAN of Trustees.</li> </ul>
<b>HUF</b>	<ul style="list-style-type: none"> <li>➤ PAN of HUF.</li> <li>➤ Deed of declaration of HUF/ List of coparceners.</li> <li>➤ Bank pass-book/bank statement in the name of HUF.</li> <li>➤ Photograph, POI, POA, PAN of Karta.</li> </ul>
<b>Unincorporated association or a body of individuals</b>	<ul style="list-style-type: none"> <li>➤ Proof of Existence/Constitution document.</li> <li>➤ Resolution of the managing body &amp; Power of Attorney granted to transact business on its behalf.</li> <li>➤ Authorized signatories list with specimen signatures.</li> </ul>
<b>Banks/ Institutional Investors</b>	<ul style="list-style-type: none"> <li>➤ Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years.</li> <li>➤ Authorized signatories list with specimen signatures.</li> </ul>
<b>Foreign Institutional Investors (FII)</b>	<ul style="list-style-type: none"> <li>➤ Copy of SEBI registration certificate.</li> <li>➤ Authorized signatories list with specimen signatures.</li> </ul>
<b>Army/ Government Bodies</b>	<ul style="list-style-type: none"> <li>➤ Self-certification on letterhead.</li> <li>➤ Authorized signatories list with specimen signatures.</li> </ul>
<b>Registered Society</b>	<ul style="list-style-type: none"> <li>➤ Copy of Registration Certificate under Societies Registration Act.</li> <li>➤ List of Managing Committee members.</li> <li>➤ Committee resolution for persons authorised to act as authorised signatories with specimen signatures.</li> <li>➤ True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.</li> </ul>

## TRADING ACCOUNT RELATED DETAILS

For Individuals & Non-individuals

### A. BANK ACCOUNT(S) DETAILS

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

### B. DEPOSITORY ACCOUNT(S) DETAILS

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

### C. TRADING PREFERENCES

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

Exchanges	Segments			
Name of the Exchange -1 BSE LTD	Cash X3		Currency Derivative	
	F&O		Name of other Segments, if any	
Name of the Exchange -2 NSE India Ltd	Cash		Currency Derivative	
	F&O		Name of other Segments, if any	

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

### D. PAST ACTIONS

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

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

▪ If client is dealing through the sub-broker, provide the following details:  
Sub-broker's Name: \_\_\_\_\_ SEBI Registration number: \_\_\_\_\_  
Registered office address: \_\_\_\_\_  
Ph: \_\_\_\_\_  
Fax: \_\_\_\_\_ Website: \_\_\_\_\_

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

Name of stock broker \_\_\_\_\_  
Name of Sub-Broker, if any \_\_\_\_\_  
Client Code: \_\_\_\_\_ Exchange: \_\_\_\_\_

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

**F. ADDITIONAL DETAILS**

▪ Whether you wish to receive physical contract note or Electronic Contract Note (ECN) (please specify): \_\_\_\_\_  
Specify your Email id, if applicable: \_\_\_\_\_

▪ Number of years of Investment/Trading Experience: \_\_\_\_\_

▪ In case of non-individuals, name, designation, PAN, UID, signature, residential address and photographs of persons authorized to deal in securities on behalf of company/firm/others: (In separate annexure as provided)

▪ Any other information: \_\_\_\_\_

**G. INTRODUCER DETAILS (optional)**

Name of the Introducer:

\_\_\_\_\_ (Surname) (Name) (Middle Name)

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

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

Signature of the Introducer: .....

PAN of the Introducer .....

**H. NOMINATION DETAILS (for individuals only) (please mark ✓ whichever applicable)**

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

Name of the Nominee: \_\_\_\_\_

Relationship with the Nominee: \_\_\_\_\_

PAN of Nominee: \_\_\_\_\_

Date of Birth of Nominee: \_\_\_\_\_

Address and phone no. of the Nominee: \_\_\_\_\_  
\_\_\_\_\_

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

Name of guardian: \_\_\_\_\_

Address and phone no. of Guardian: \_\_\_\_\_

\_\_\_\_\_

Signature of guardian \_\_\_\_\_

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

Name \_\_\_\_\_

Name \_\_\_\_\_

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Address \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

**DECLARATION**

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

2. I/We confirm having read/been explained and understood the contents of the document on policy and procedures of the stock broker and the tariff sheet.

3. I/We further confirm having read and understood the contents of the 'Rights and Obligations' document(s) and 'Risk Disclosure Document'. I/We do hereby agree to be bound by such provisions as outlined in these documents. I/We have also been informed that the standard set of documents has been displayed for Information on stock broker's designated website, if any.

Place -----

X4-----

Date -----

**Signature of Client/ (all) Authorized Signatory (ies)**

\_\_\_\_\_

**FOR OFFICE USE ONLY**

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

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

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

.....  
**Signature of the Authorised Signatory**

**Date** .....

**Seal/Stamp of the stock broker**

**INSTRUCTIONS/ CHECK LIST**

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

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

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

2. Copy of cancelled cheque leaf/ pass book/bank statement specifying name of the constituent, MICR Code or/and IFSC Code of the bank should be submitted.
3. Demat master or recent holding statement issued by DP bearing name of the client.
4. For individuals:
  - a. Stock broker has an option of doing 'in-person' verification through web camera at the branch office of the stock broker/sub-broker's office.
  - b. In case of non-resident clients, employees at the stock broker's local office, overseas can do in-person' verification. Further, considering the infeasibility of carrying out 'In-person' verification of the non-resident clients by the stock broker's staff, attestation of KYC documents by Notary Public, Court, Magistrate, Judge, Local Banker, Indian Embassy / Consulate General in the country where the client resides may be permitted.
5. For non-individuals:
  - a. Form need to be initialized by all the authorized signatories.
  - b. Copy of Board Resolution or declaration (on the letterhead) naming the persons authorized to deal in securities on behalf of company/firm/others and their specimen signatures.

**Annexure-4**  
**RIGHTS AND OBLIGATIONS OF STOCK BROKERS, SUB-BROKERS AND CLIENTS**  
***as prescribed by SEBI and Stock Exchanges***

1. The client shall invest/trade in those securities/contracts/other instruments admitted to dealings on the Exchanges as defined in the Rules, Byelaws and Regulations of Exchanges/ Securities and Exchange Board of India (SEBI) and circulars/notices issued there under from time to time.
2. The stock broker, sub-broker and the client shall be bound by all the Rules, Byelaws and Regulations of the Exchange and circulars/notices issued there under and Rules and Regulations of SEBI and relevant notifications of Government authorities as may be in force from time to time.
3. The client shall satisfy itself of the capacity of the stock broker to deal in securities and/or deal in derivatives contracts and wishes to execute its orders through the stock broker and the client shall from time to time continue to satisfy itself of such capability of the stock broker before executing orders through the stock broker.
4. The stock broker shall continuously satisfy itself about the genuineness and financial soundness of the client and investment objectives relevant to the services to be provided.
5. The stock broker shall take steps to make the client aware of the precise nature of the Stock broker's liability for business to be conducted, including any limitations, the liability and the capacity in which the stock broker acts.
6. The sub-broker shall provide necessary assistance and co-operate with the stock broker in all its dealings with the client(s).

**CLIENT INFORMATION**

7. The client shall furnish all such details in full as are required by the stock broker in "Account Opening Form" with supporting details, made mandatory by stock exchanges/SEBI from time to time.
8. The client shall familiarize himself with all the mandatory provisions in the Account Opening documents. Any additional clauses or documents specified by the stock broker shall be non-mandatory, as per terms & conditions accepted by the client.
9. The client shall immediately notify the stock broker in writing if there is any change in the information in the 'account opening form' as provided at the time of account opening and thereafter; including the information on winding up petition/insolvency petition or any litigation which may have material bearing on his capacity. The client shall provide/update the financial information to the stock broker on a periodic basis.
10. The stock broker and sub-broker shall maintain all the details of the client as mentioned in the account opening form or any other information pertaining to the client, confidentially and that they shall not disclose the same to any person/authority except as required under any law/regulatory requirements. Provided however that the stock broker may so disclose information about his client to any person or authority with the express permission of the client.

**MARGINS**

11. The client shall pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the stock broker or the Exchange or as may be directed by SEBI from time to time as applicable to the segment(s) in which the client trades. The stock broker is permitted in its sole and absolute discretion to collect additional margins (even though not required by the Exchange, Clearing House/Clearing Corporation or SEBI) and the client shall be obliged to pay such margins within the stipulated time.
12. The client understands that payment of margins by the client does not necessarily imply complete satisfaction of all dues. In spite of consistently having paid margins, the client may, on the settlement of its trade, be obliged to pay (or entitled to receive) such further sums as the contract may dictate/require.

## **TRANSACTIONS AND SETTLEMENTS**

13. The client shall give any order for buy or sell of a security/derivatives contract in writing or in such form or manner, as may be mutually agreed between the client and the stock broker. The stock broker shall ensure to place orders and execute the trades of the client, only in the Unique Client Code assigned to that client.
14. The stock broker shall inform the client and keep him apprised about trading/settlement cycles, delivery/payment schedules, any changes therein from time to time, and it shall be the responsibility in turn of the client to comply with such schedules/procedures of the relevant stock exchange where the trade is executed.
15. The stock broker shall ensure that the money/securities deposited by the client shall be kept in a separate account, distinct from his/its own account or account of any other client and shall not be used by the stock broker for himself/itself or for any other client or for any purpose other than the purposes mentioned in Rules, Regulations, circulars, notices, guidelines of SEBI and/or Rules, Regulations, Bye-laws, circulars and notices of Exchange.
16. Where the Exchange(s) cancels trade(s) suo moto all such trades including the trade/s done on behalf of the client shall ipso facto stand cancelled, stock broker shall be entitled to cancel the respective contract(s) with client(s).
17. The transactions executed on the Exchange are subject to Rules, Byelaws and Regulations and circulars/notices issued thereunder of the Exchanges where the trade is executed and all parties to such trade shall have submitted to the jurisdiction of such court as may be specified by the Byelaws and Regulations of the Exchanges where the trade is executed for the purpose of giving effect to the provisions of the Rules, Byelaws and Regulations of the Exchanges and the circulars/notices issued thereunder.

## **BROKERAGE**

18. The Client shall pay to the stock broker brokerage and statutory levies as are prevailing from time to time and as they apply to the Client's account, transactions and to the services that stock broker renders to the Client. The stock broker shall not charge brokerage more than the maximum brokerage permissible as per the rules, regulations and bye-laws of the relevant stock exchanges and/or rules and regulations of SEBI.

## **LIQUIDATION AND CLOSE OUT OF POSITION**

19. Without prejudice to the stock broker's other rights (including the right to refer a matter to arbitration), the client understands that the stock broker shall be entitled to liquidate/close out all or any of the client's positions for non-payment of margins or other amounts, outstanding debts, etc. and adjust the proceeds of such liquidation/close out, if any, against the client's liabilities/obligations. Any and all losses and financial charges on account of such liquidation/closing-out shall be charged to and borne by the client.
20. In the event of death or insolvency of the client or his/its otherwise becoming incapable of receiving and paying for or delivering or transferring securities which the client has ordered to be bought or sold, stock broker may close out the transaction of the client and claim losses, if any, against the estate of the client. The client or his nominees, successors, heirs and assignee shall be entitled to any surplus which may result there from. The client shall note that transfer of funds/securities in favor of a Nominee shall be valid discharge by the stock broker against the legal heir.
21. The stock broker shall bring to the notice of the relevant Exchange the information about default in payment/delivery and related aspects by a client. In case where defaulting client is a corporate entity/partnership/proprietary firm or any other artificial legal entity, then the name(s) of Director(s)/Promoter(s)/Partner(s)/Proprietor as the case may be, shall also be communicated by the stock broker to the relevant Exchange(s).

## **DISPUTE RESOLUTION**

22. The stock broker shall provide the client with the relevant contact details of the concerned Exchanges and SEBI.
23. The stock broker shall co-operate in redressing grievances of the client in respect of all transactions routed through it and in removing objections for bad delivery of shares, rectification of bad delivery, etc.
24. The client and the stock broker shall refer any claims and/or disputes with respect to deposits, margin money, etc., to arbitration as per the Rules, Byelaws and Regulations of the Exchanges where the trade is executed and circulars/notices issued thereunder as may be in force from time to time.
25. The stock broker shall ensure faster settlement of any arbitration proceedings arising out of the transactions entered into between him vis-à-vis the client and he shall be liable to implement the arbitration awards made in such proceedings.
26. The client/stock-broker understands that the instructions issued by an authorized representative for dispute resolution, if any, of the client/stock-broker shall be binding on the client/stock-broker in accordance with the letter authorizing the said representative to deal on behalf of the said client/stock-broker.

## **TERMINATION OF RELATIONSHIP**

27. This relationship between the stock broker and the client shall be terminated; if the stock broker for any reason ceases to be a member of the stock exchange including cessation of membership by reason of the stock broker's default, death, resignation or expulsion or if the certificate is cancelled by the Board.
28. The stock broker, sub-broker and the client shall be entitled to terminate the relationship between them without giving any reasons to the other party, after giving notice in writing of not less than one month to the other parties. Notwithstanding any such termination, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered into prior to the termination of this relationship shall continue to subsist and vest in/be binding on the respective parties or his/its respective heirs, executors, administrators, legal representatives or successors, as the case may be.
29. In the event of demise/insolvency of the sub-broker or the cancellation of his/its registration with the Board or/withdrawal of recognition of the sub-broker by the stock exchange and/or termination of the agreement with the sub broker by the stock broker, for any reason whatsoever, the client shall be informed of such termination and the client shall be deemed to be the direct client of the stock broker and all clauses in the 'Rights and Obligations' document(s) governing the stock broker, sub-broker and client shall continue to be in force as it is, unless the client intimates to the stock broker his/its intention to terminate their relationship by giving a notice in writing of not less than one month.

## **ADDITIONAL RIGHTS AND OBLIGATIONS**

30. The stock broker shall ensure due protection to the client regarding client's rights to dividends, rights or bonus shares, etc. in respect of transactions routed through it and it shall not do anything which is likely to harm the interest of the client with whom and for whom they may have had transactions in securities.
31. The stock broker and client shall reconcile and settle their accounts from time to time as per the Rules, Regulations, Bye Laws, Circulars, Notices and Guidelines issued by SEBI and the relevant Exchanges where the trade is executed.
32. The stock broker shall issue a contract note to his constituents for trades executed in such format as may be prescribed by the Exchange from time to time containing records of all transactions including details of order number, trade number, trade time, trade price, trade quantity, details of the derivatives contract, client code, brokerage, all charges levied etc. and with all other relevant details as required therein to be filled in and issued in such manner and within such time as prescribed by the Exchange. The stock broker shall send contract notes to the investors within

one working day of the execution of the trades in hard copy and/or in electronic form using digital signature.

33. The stock broker shall make pay out of funds or delivery of securities, as the case may be, to the Client within one working day of receipt of the payout from the relevant Exchange where the trade is executed unless otherwise specified by the client and subject to such terms and conditions as may be prescribed by the relevant Exchange from time to time where the trade is executed.
34. The stock broker shall send a complete 'Statement of Accounts' for both funds and securities in respect of each of its clients in such periodicity and format within such time, as may be prescribed by the relevant Exchange, from time to time, where the trade is executed. The Statement shall also state that the client shall report errors, if any, in the Statement within such time as may be prescribed by the relevant Exchange from time to time where the trade was executed, from the receipt thereof to the Stock broker.
35. The stock broker shall send daily margin statements to the clients. Daily Margin statement should include, inter-alia, details of collateral deposited, collateral utilized and collateral status (available balance/due from client) with break up in terms of cash, Fixed Deposit Receipts (FDRs), Bank Guarantee and securities.
36. The Client shall ensure that it has the required legal capacity to, and is authorized to, enter into the relationship with stock broker and is capable of performing his obligations and undertakings hereunder. All actions required to be taken to ensure compliance of all the transactions, which the Client may enter into shall be completed by the Client prior to such transaction being entered into.

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

37. In case, client opts to receive the contract note in electronic form, he shall provide an appropriate e-mail id to the stock broker. The client shall communicate to the stock broker any change in the email-id through a physical letter. If the client has opted for internet trading, the request for change of email id may be made through the secured access by way of client specific user id and password.
38. The stock broker shall ensure that all ECNs sent through the e-mail shall be digitally signed, encrypted, non-tamper able and in compliance with the provisions of the IT Act, 2000. In case, ECN is sent through e-mail as an attachment, the attached file shall also be secured with the digital signature, encrypted and non-tamperable.
39. The client shall note that non-receipt of bounced mail notification by the stock broker shall amount to delivery of the contract note at the e-mail ID of the client.
40. The stock broker shall retain ECN and acknowledgement of the e-mail in a soft and non-tamperable form in the manner prescribed by the exchange in compliance with the provisions of the IT Act, 2000 and as per the extant rules/regulations/circulars/guidelines issued by SEBI/Stock Exchanges from time to time. The proof of delivery i.e., log report generated by the system at the time of sending the contract notes shall be maintained by the stock broker for the specified period under the extant regulations of SEBI/stock exchanges. The log report shall provide the details of the contract notes that are not delivered to the client/e-mails rejected or bounced back. The stock broker shall take all possible steps to ensure receipt of notification of bounced mails by him at all times within the stipulated time period under the extant regulations of SEBI/stock exchanges.
41. The stock broker shall continue to send contract notes in the physical mode to such clients who do not opt to receive the contract notes in the electronic form. Wherever the ECNs have not been delivered to the client or has been rejected (bouncing of mails) by the e-mail ID of the client, the stock broker shall send a physical contract note to the client within the stipulated time under the extant regulations of SEBI/stock exchanges and maintain the proof of delivery of such physical contract notes.
42. In addition to the e-mail communication of the ECNs to the client, the stock broker shall simultaneously publish the ECN on his designated web-site, if any, in a secured way and enable relevant access to the clients and for this purpose, shall allot a unique user name and password to the client, with an option to the client to save the contract note electronically and/or take a print out of the same.

## **LAW AND JURISDICTION**

43. In addition to the specific rights set out in this document, the stock broker, sub-broker and the client shall be entitled to exercise any other rights which the stock broker or the client may have under the Rules, Bye-laws and Regulations of the Exchanges in which the client chooses to trade and circulars/notices issued thereunder or Rules and Regulations of SEBI.
44. The provisions of this document shall always be subject to Government notifications, any rules, regulations, guidelines and circulars/notices issued by SEBI and Rules, Regulations and Bye laws of the relevant stock exchanges, where the trade is executed, that may be in force from time to time.
45. The stock broker and the client shall abide by any award passed by the Arbitrator(s) under the Arbitration and Conciliation Act, 1996. However, there is also a provision of appeal within the stock exchanges, if either party is not satisfied with the arbitration award.
46. Words and expressions which are used in this document but which are not defined herein shall, unless the context otherwise requires, have the same meaning as assigned thereto in the Rules, Byelaws and Regulations and circulars/notices issued thereunder of the Exchanges/SEBI.
47. All additional voluntary clauses/document added by the stock broker should not be in contravention with rules/regulations/notices/circulars of Exchanges/SEBI. Any changes in such voluntary clauses/document(s) need to be preceded by a notice of 15 days. Any changes in the rights and obligations which are specified by Exchanges/SEBI shall also be brought to the notice of the clients.
48. If the rights and obligations of the parties hereto are altered by virtue of change in Rules and regulations of SEBI or Bye-laws, Rules and Regulations of the relevant stock Exchanges where the trade is executed, such changes shall be deemed to have been incorporated herein in modification of the rights and obligations of the parties mentioned in this document.

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

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

1. Stock broker is eligible for providing Internet based trading (IBT) and securities trading through the use of wireless technology that shall include the use of devices such as mobile phone, laptop with data card, etc. which use Internet Protocol (IP). The stock broker shall comply with all requirements applicable to internet based trading/securities trading using wireless technology as may be specified by SEBI & the Exchanges from time to time.
2. The client is desirous of investing/trading in securities and for this purpose, the client is desirous of using either the internet based trading facility or the facility for securities trading through use of wireless technology. The Stock broker shall provide the Stock broker's IBT Service to the Client, and the Client shall avail of the Stock broker's IBT Service, on and subject to SEBI/Exchanges Provisions and the terms and conditions specified on the Stock broker's IBT Web Site provided that they are in line with the norms prescribed by Exchanges/SEBI.
3. The stock broker shall bring to the notice of client the features, risks, responsibilities, obligations and liabilities associated with securities trading through wireless technology/internet/smart order routing or any other technology should be brought to the notice of the client by the stock broker.
4. The stock broker shall make the client aware that the Stock Broker's IBT system itself generates the initial password and its password policy as stipulated in line with norms prescribed by Exchanges/SEBI.
5. The Client shall be responsible for keeping the Username and Password confidential and secure and shall be solely responsible for all orders entered and transactions done by any person whosoever through the Stock broker's IBT System using the Client's Username and/or Password whether or not such person was authorized to do so. Also the client is aware that authentication technologies and strict security measures are required for the internet trading/securities trading through wireless technology through order routed system and undertakes to ensure that the password of the client and/or his authorized representative are not revealed to any third party including employees and dealers of the stock broker
6. The Client shall immediately notify the Stock broker in writing if he forgets his password, discovers security flaw in Stock Broker's IBT System, discovers/suspects discrepancies/unauthorized access through his username/password/account with full details of such unauthorized use, the date, the manner and the transactions effected pursuant to such unauthorized use, etc.
7. The Client is fully aware of and understands the risks associated with availing of a service for routing orders over the internet/securities trading through wireless technology and Client shall be fully liable and responsible for any and all acts done in the Client's Username/password in any manner whatsoever.
8. The stock broker shall send the order/trade confirmation through email to the client at his request. The client is aware that the order/ trade confirmation is also provided on the web portal. In case client is trading using wireless technology, the stock broker shall send the order/trade confirmation on the device of the client.
9. The client is aware that trading over the internet involves many uncertain factors and complex hardware, software, systems, communication lines, peripherals, etc. are susceptible to interruptions and dislocations. The Stock broker and the Exchange do not make any representation or warranty that the Stock broker's IBT Service will be available to the Client at all times without any interruption.
10. The Client shall not have any claim against the Exchange or the Stock broker on account of any suspension, interruption, non-availability or malfunctioning of the Stock broker's IBT System or Service or the Exchange's service or systems or non-execution of his orders due to any link/system failure at the Client/Stock brokers/Exchange end for any reason beyond the control of the stock broker/Exchanges

## Annexure-5

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

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

Stock exchanges/SEBI does neither singly or jointly and expressly nor impliedly guarantee nor make any representation concerning the completeness, the adequacy or accuracy of this disclosure document nor have Stock exchanges /SEBI endorsed or passed any merits of participating in the trading segments. This brief statement does not disclose all the risks and other significant aspects of trading.

In the light of the risks involved, you should undertake transactions only if you understand the nature of the relationship into which you are entering and the extent of your exposure to risk.

You must know and appreciate that trading in Equity shares, derivatives contracts or other instruments traded on the Stock Exchange, which have varying element of risk, is generally not an appropriate avenue for someone of limited resources/limited investment and/or trading experience and low risk tolerance. You should therefore carefully consider whether such trading is suitable for you in the light of your financial condition. In case you trade on Stock exchanges and suffer adverse consequences or loss, you shall be solely responsible for the same and Stock exchanges/its Clearing Corporation and/or SEBI shall not be responsible, in any manner whatsoever, for the same and it will not be open for you to take a plea that no adequate disclosure regarding the risks involved was made or that you were not explained the full risk involved by the concerned stock broker. The constituent shall be solely responsible for the consequences and no contract can be rescinded on that account. You must acknowledge and accept that there can be no guarantee of profits or no exception from losses while executing orders for purchase and/or sale of a derivative contract being traded on Stock exchanges.

It must be clearly understood by you that your dealings on Stock exchanges through a stock broker shall be subject to your fulfilling certain formalities set out by the stock broker, which may inter alia include your filling the know your client form, reading the rights and obligations, do's and don'ts, etc., and are subject to the Rules, Byelaws and Regulations of relevant Stock exchanges, its Clearing Corporation, guidelines prescribed by SEBI and in force from time to time and Circulars as may be issued by Stock exchanges or its Clearing Corporation and in force from time to time.

Stock exchanges does not provide or purport to provide any advice and shall not be liable to any person who enters into any business relationship with any stock broker of Stock exchanges and/or any third party based on any information contained in this document. Any information contained in this document must not be construed as business advice. No consideration to trade should be made without thoroughly understanding and reviewing the risks involved in such trading. If you are unsure, you must seek professional advice on the same.

In considering whether to trade or authorize someone to trade for you, you should be aware of or must get acquainted with the following:-

#### **1. BASIC RISKS:**

##### **1.1 Risk of Higher Volatility:**

Volatility refers to the dynamic changes in price that a security/derivatives contract undergoes when trading activity continues on the Stock Exchanges. Generally, higher the volatility of a security/derivatives contract, greater is its price swings. There may be normally greater volatility in thinly traded securities / derivatives contracts than in active securities /derivatives contracts. As a result of volatility, your order may only be partially executed or not executed at all, or the price at which your order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in notional or real losses.

## **1.2 Risk of Lower Liquidity:**

Liquidity refers to the ability of market participants to buy and/or sell securities / derivatives contracts expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the numbers of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and/or sell securities / derivatives contracts swiftly and with minimal price difference, and as a result, investors are more likely to pay or receive a competitive price for securities / derivatives contracts purchased or sold. There may be a risk of lower liquidity in some securities / derivatives contracts as compared to active securities / derivatives contracts. As a result, your order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all.

**1.2.1** Buying or selling securities / derivatives contracts as part of a day trading strategy may also result into losses, because in such a situation, securities / derivatives contracts may have to be sold / purchased at low / high prices, compared to the expected price levels, so as not to have any open position or obligation to deliver or receive a security / derivatives contract.

## **1.3 Risk of Wider Spreads:**

Spread refers to the difference in best buy price and best sell price. It represents the differential between the price of buying a security / derivatives contract and immediately selling it or vice versa. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid securities / derivatives contracts. This in turn will hamper better price formation.

## **1.4 Risk-reducing orders:**

The placing of orders (e.g., "stop loss" orders, or "limit" orders) which are intended to limit losses to certain amounts may not be effective many a time because rapid movement in market conditions may make it impossible to execute such orders.

**1.4.1** A "market" order will be executed promptly, subject to availability of orders on opposite side, without regard to price and that, while the customer may receive a prompt execution of a "market" order, the execution may be at available prices of outstanding orders, which satisfy the order quantity, on price time priority. It may be understood that these prices may be significantly different from the last traded price or the best price in that security / derivatives contract.

**1.4.2** A "limit" order will be executed only at the "limit" price specified for the order or a better price. However, while the customer receives price protection, there is a possibility that the order may not be executed at all.

**1.4.3** A stop loss order is generally placed "away" from the current price of a stock / derivatives contract, and such order gets activated if and when the security / derivatives contract reaches, or trades through, the stop price. Sell stop orders are entered ordinarily below the current price, and buy stop orders are entered ordinarily above the current price. When the security / derivatives contract reaches the pre-determined price, or trades through such price, the stop loss order converts to a market/limit order and is executed at the limit or better. There is no assurance therefore that the limit order will be executable since a security / derivatives contract might penetrate the pre-determined price, in which case, the risk of such order not getting executed arises, just as with a regular limit order.

## **1.5 Risk of News Announcements:**

News announcements that may impact the price of stock / derivatives contract may occur during trading, and when combined with lower liquidity and higher volatility, may suddenly cause an unexpected positive or negative movement in the price of the security / contract.

## **1.6 Risk of Rumors:**

Rumors about companies / currencies at times float in the market through word of mouth, newspapers, websites or news agencies, etc. The investors should be wary of and should desist from acting on rumors.

## **1.7 System Risk:**

High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation.

**1.7.1** During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in order execution and its confirmations.

**1.7.2** Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a security / derivatives contract due to any action on account of unusual trading activity or security / derivatives contract hitting circuit filters or for any other reason.

**1.8 System/Network Congestion:**

Trading on exchanges is in electronic mode, based on satellite/leased line based communications, combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond control and may result in delay in processing or not processing buy or sell orders either in part or in full. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions.

**2. As far as Derivatives segments are concerned, please note and get yourself acquainted with the following additional features:-**

**2.1 Effect of "Leverage" or "Gearing":**

In the derivatives market, the amount of margin is small relative to the value of the derivatives contract so the transactions are 'leveraged' or 'geared'. Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the margin amount. But transactions in derivatives carry a high degree of risk.

You should therefore completely understand the following statements before actually trading in derivatives and also trade with caution while taking into account one's circumstances, financial resources, etc. If the prices move against you, you may lose a part of or whole margin amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount.

A. Futures trading involve daily settlement of all positions. Every day the open positions are marked to market based on the closing level of the index / derivatives contract. If the contract has moved against you, you will be required to deposit the amount of loss (notional) resulting from such movement. This amount will have to be paid within a stipulated time frame, generally before commencement of trading on next day.

B. If you fail to deposit the additional amount by the deadline or if an outstanding debt occurs in your account, the stock broker may liquidate a part of or the whole position or substitute securities. In this case, you will be liable for any losses incurred due to such close-outs.

C. Under certain market conditions, an investor may find it difficult or impossible to execute transactions. For example, this situation can occur due to factors such as illiquidity i.e. when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc.

D. In order to maintain market stability, the following steps may be adopted: changes in the margin rate, increases in the cash margin rate or others. These new measures may also be applied to the existing open interests. In such conditions, you will be required to put up additional margins or reduce your positions.

E. You must ask your broker to provide the full details of derivatives contracts you plan to trade i.e. the contract specifications and the associated obligations.

**2.2 Currency specific risks:**

1. The profit or loss in transactions in foreign currency-denominated contracts, whether they are traded in your own or another jurisdiction, will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

2. Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example when a currency is deregulated or fixed trading bands are widened.

3. Currency prices are highly volatile. Price movements for currencies are influenced by, among other things: changing supply-demand relationships; trade, fiscal, monetary, exchange control programs and policies of governments; foreign political and economic events and policies; changes in national and international interest rates and inflation; currency devaluation; and sentiment of the market place. None of these factors can be controlled by any individual advisor and no assurance can be given that an advisor's advice will result in profitable trades for a participating customer or that a customer will not incur losses from such events.

### **2.3 Risk of Option holders:**

1. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells his option in the secondary market nor exercises it prior to its expiration will necessarily lose his entire investment in the option. If the price of the underlying does not change in the anticipated direction before the option expires, to an extent sufficient to cover the cost of the option, the investor may lose all or a significant part of his investment in the option.

2. The Exchanges may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.

### **2.4 Risks of Option Writers:**

1. If the price movement of the underlying is not in the anticipated direction, the option writer runs the risks of losing substantial amount.

2. The risk of being an option writer may be reduced by the purchase of other options on the same underlying interest and thereby assuming a spread position or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short' position.

3. Transactions that involve buying and writing multiple options in combination, or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single option. And it should be further noted that, as in any area of investing, a complexity not well understood is, in itself, a risk factor. While this is not to suggest that combination strategies should not be considered, it is advisable, as is the case with all investments in options, to consult with someone who is experienced and knowledgeable with respect to the risks and potential rewards of combination transactions under various market circumstances.

## **3. TRADING THROUGH WIRELESS TECHNOLOGY/ SMART ORDER ROUTING OR ANY OTHER TECHNOLOGY:**

Any additional provisions defining the features, risks, responsibilities, obligations and liabilities associated with securities trading through wireless technology/ smart order routing or any other technology should be brought to the notice of the client by the stock broker.

## **4. GENERAL**

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

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

## Annexure-6

### **GUIDANCE NOTE - DO's AND DON'Ts FOR TRADING ON THE EXCHANGE(S) FOR INVESTORS**

#### **BEFORE YOU BEGIN TO TRADE**

1. Ensure that you deal with and through only SEBI registered intermediaries. You may check their SEBI registration certificate number from the list available on the Stock exchanges [www.bseindia.com](http://www.bseindia.com) , [www.nseindia.com](http://www.nseindia.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 give 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

## **POLICIES AND PROCEDURES FOR CLIENT DEALINGS – ALL EXCHANGES - MANDATORY**

(As required by SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009)

### **1. Refusal of orders for penny stocks**

The member reserves the decision to accept or refuse orders for penny stock depending on the number of trades done by the client on the day.

### **2. Setting up client's exposure limit**

Any client's exposure limit will be set up depending on the margin deposit lying in client's account, Networth and financial soundness of the client.

### **3. Imposition of penalty/delayed payment charges by either party, specifying the rate and the period not resulting in funding by the broker in contravention of the applicable laws**

Client shall make payments on time without fail. When client issues a cheque to the Member, he/she/they shall make sure that there are sufficient funds in the bank account and the cheque should be honoured. If the cheque given by the client is dishonoured for any reason whatsoever then the Cheque return charges shall be borne by the client and vice versa.

### **4. The right to sell clients' securities or close clients' positions, without giving notice to the client, on account of non-payment of client's dues (Limited to the extent of settlement/margin obligation)**

If the client fails to make payment even after reminders, the Member reserves the right to hold back shares and/or sell the securities of the client to settle the account. However the right to sell clients securities is limited to the extent of settlement and/or margin obligations.

### **5. Shortages in obligations arising out of internal netting of trades**

If there are any shortages of securities obligations arising out of internal netting of trades, then the Member reserves the right to purchase such securities in the selling client's account and transfer the shares received in payout to the buying client.

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

The Member reserves the right to disallow a client to take further positions in the following situations:

1. If the client has not made payments before due date even after repeated reminders.
2. If the client has failed to deliver shares for his/her/their sale obligation repeatedly.
3. If the client has not fulfilled any or all KYC norms.

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

The Member reserves the right to temporarily suspend a client in the following situations:

1. If the information received that the said client is linked to any criminal organizations.
2. If the client is restricted to trade in securities by SEBI, any of exchanges or any other body.
3. If the client has not fulfilled any or all KYC norms.

**8. Deregistering a client**

The Member reserves the right to deregister a client in the following situations:

- 1. On death/insolvency/insanity of a client.
- 2. On request of the client.
- 3. When a client is linked with any criminal organizations and found guilty of the same.

**9. Inactive clients account**

- 1. If the client has not traded even once during any financial year, such client will be marked "Inactive" at the end of such financial year.
- 2. If any client who has been marked inactive at any point of time and he/she/it wants to trade again then the client shall give a written request to that effect.
- 3. Such client will be allowed to trade again after receipt of request to reactivate account and additional KYC requirements, if any, are received from the client.

However all the documents submitted by the client at the time of registration and later will be preserved by the Member.

This policy has been adopted by the trading member as on 01/06/2010 and may be revised over time.

Signature of the Client **x5**.....

Client Name .....

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

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

## TARIFF SHEET

Sr. No.	Particulars	Tariff	Remarks
1	Brokerage	On square off transactions _____% subject to a minimum of _____ ps per share. On delivery transactions _____% subject to a minimum of _____ ps per share. Minimum brokerage of Rs. _____ will be collected per bill for penny stocks. (Service Tax at the prevailing rates is applicable on the total brokerage collected from the client)	
2	STT	0.010 %* on square off transactions 0.10%* on delivery transactions (STT is rounded off to the nearest rupee)	
3	Transaction charges	0.0035%* on all transactions. (Service Tax at the prevailing rates is applicable on the total transaction charges collected from the client)	
4	Stamp Duty	0.002%* on square off transactions 0.010%* on delivery transactions	
5	Settlement Charges	0.005% Settlement Charges applicable on delivery transactions subject to a minimum of Rs.2/- per scrip	

\* or as may be applicable from time to time

Signature of the Client ✕ .....

Client Name .....

**INTIMATION TO CLIENTS AND NOTING**

DISCLOSURE OF PROPRIETARY TRADING BY MEMBER: **SHRI BRIJ SECURITIES PVT LTD.**

The Member hereby informs the Client that the Member undertakes Proprietary Trading, Arbitrage as well as investment business on its account in addition to Client based business.

Intimation of email id for investor grievances: The Client may forward any grievances to the email id [shribrij@rediffmail.com](mailto:shribrij@rediffmail.com) designated to the purpose.

To,  
**SHRI BRIJ SECURITIES PVT LTD.**

Sir(s),

Re: Confirmation of noting

We confirm that we have made note of the following:

1. That you trade in your OWN/PRO account
2. That your investor grievance email ID is [shribrij@rediffmail.com](mailto:shribrij@rediffmail.com)

Thank you

Client Signature ✕ .....

Client Name: .....

Place:

Date:

**ALL EXCHANGES RUNNING ACCOUNT AUTHORISATION - VOLUNTARY**

(Kindly note that these additional clause(s)/ documentation(s) are voluntary and at the discretion of the stock broker/ trading member and the client. The same are required in order to ensure running on a day to day basis between the stock broker/ trading member and the client. The client need not execute this document if he / she does not wish to. The client has the right to terminate the document)

To,  
The Director,  
M/s SHRI BRIJ SECURITIES PVT.LTD.  
103 Rajendra Chambers,  
19 Nanabhai Lane,  
Opp. Akbarallys, Fountain,  
Mumbai-400001

Sir(s),

Re: Running Account Authorisation

We are aware that as per the SEBI/ Exchange requirements, the settlement of funds/securities shall be done within one working day of the payout. However, we request you to kindly keep my account as a running account, which will entail that all securities and funds due to us on payout shall be withheld with yourselves and given to us only on demand. We understand that:

1. This Authorisation shall stand valid unless it is revoked by us in writing
2. We can revoke this running account authorization at any time
3. You shall transfer the funds / securities lying in our credit within one working day of the request if the same are lying with you and within three working days from the request if the same are lying with the Clearing Member/ Clearing Corporation
4. The account shall be settled (cleared) at least once a month/quarter.

Thanking you

Client Signature **×6**.....

Client Name: .....

Place:

Date:

Note: The authorization shall be signed by the client only and not by any authorised person on his behalf or any holder of the Power of Attorney

**LETTER FOR OPERATIONS OF ACCOUNT – ALL EXCHANGES - VOLUNTARY**

(Kindly note that these additional clause(s)/ documentation(s) are voluntary and at the discretion of the stock broker/ trading member and the client. The same are required in order to ensure running on a day to day basis between the stock broker/ trading member and the client. The client need not execute this document if he / she does not wish to. The client has the right to terminate the document)

To,

M/s Shri Brij Securities Pvt. Ltd.  
103, Rajendra Chambers,  
19 Nanabhai Lane,  
Fountain, Mumbai-400001.

Dear Sir,

I am / We are having trading account with you for Cash and/or Derivatives Market in NSE & BSE. I/We hereby authorise you to do the following on my/our behalf:

1. You are requested to kindly note that the orders placed/modified/cancelled by me need not be noted in the order book as the same is a time consuming affair and may lead to loss due to non execution of orders in time due to formalities involved.
2. I/We hereby authorize you to accept verbal instructions for placement / modifications / cancellation of orders and I/we expressly agree that once the trade confirmation is sent by you and/or contract note is accepted by me/us, there shall be no question in relation of execution or non-execution in appropriate execution in or inappropriate execution of any of my/our orders for a particular trading day.
3. Please note that our account to be maintained with you shall be a running account and the funds and securities due to me/us are not to be paid/delivered immediately on payout but is to be retained by you until and unless specifically demanded by us. The same may be used for my/our future settlement obligations, margins, etc.
4. I/We shall not indulge in any sub-broking activities nor issue bills / contract notes / confirmation notes to anyone else for the trades done by me/us on BSE/NSE through you.
5. All fines/penalties and charges levied on you due to my/our transactions/deeds/actions may be recovered by you from my/our account.
6. My/Our funds/securities lying with you in the margin account may be used by you for the purpose of placing FDRs with banks to be submitted to BSE/NSE and/or as margin FDRs for obtaining Bank Guarantee in favour of BSE/NSE and their clearing house for which we hereby consent.

Yours faithfully,

Client Signature X 7 \_\_\_\_\_

Name of the client \_\_\_\_\_

Client Code: \_\_\_\_\_

**Note: The authorization shall be signed by the client only and not by any authorised person on his behalf or any holder of the Power of Attorney**

**DIGITALLY SIGNED CONTRACTS/ COMMUNICATIONS – ALL EXCHANGES - VOLUNTARY**

(Kindly note that these additional clause(s)/ documentation(s) are voluntary and at the discretion of the stock broker/ trading member and the client. The same are required in order to ensure smooth communication between the stock broker/ trading member and the client. The client need not execute this document if he / she does not wish to. The client has the right to terminate the document)

To,  
SHRI BRIJ SECURITIES PVT. LTD.  
103 Rajendra Chambers,  
19 Nanabhai Lane,  
Opp. Akbarallys,  
Fountain, Mumbai-400001

Re: Digitally signed contract/communication confirmation

We hereby consent for receiving contract notes in an electronic form (ECN) and other digitally signed communication via email on our email ID as under:

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We also hereby consent for receiving SMS alerts on our Mobile No. \_\_\_\_\_

×8

(Signature of the client)

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We understand that:

- you shall be issuing ECNs and other communications authenticated by means of digital signatures after obtaining digital signature certificate from Certifying Authority under the IT Act, 2000
- all communications sent by you through the e-mail shall be digitally signed, encrypted, non tamperable and shall comply with the provisions of the IT Act, 2000. In case the communication is sent through e-mail as an attachment, the attached file shall also be secured with the digital signature, encrypted and non-tamperable
- Wherever the ECNs have not been delivered or has been rejected, you shall send a physical contract note to us
- Any change in the email ID shall be communicated by us through a physical letter to yourselves

Signature of the client ×9 \_\_\_\_\_

Client Name: .....

Client Code: .....

Place:

Date:

## **ADDITIONAL LITERATURE FOR AML REQUIREMENTS**

As per the requirements of SEBI, implementation of Anti Money Laundering (AML)/ Combating Financing of Terrorism requires trading members as intermediaries to demand certain information from investors which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This can sometimes lead to raising of questions with regard to the motive and purpose of collecting such information. To, sensitize about these requirements as the ones emanating from AML and CFT framework, General FAQs as published by The Financial Action Task Force (FATF), an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing is reproduced herewith. Kindly feel free to visit the websites of <http://www.fatf-gafi.org/> and <http://fiuindia.gov.in> for more information on the subject

### **FAQ**

#### **What is Money Laundering?**

The goal of a large number of criminal acts is to generate a profit for the individual or group that carries out the act. Money laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardising their source.

Illegal arms sales, smuggling, and the activities of organised crime, including for example drug trafficking and prostitution rings, can generate huge amounts of proceeds. Embezzlement, insider trading, bribery and computer fraud schemes can also produce large profits and create the incentive to “legitimise” the ill-gotten gains through money laundering.

When a criminal activity generates substantial profits, the individual or group involved must find a way to control the funds without attracting attention to the underlying activity or the persons involved. Criminals do this by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention.

In response to mounting concern over money laundering, the Financial Action Task Force on money laundering (FATF) was established by the G-7 Summit in Paris in 1989 to develop a co-ordinated international response. One of the first tasks of the FATF was to develop Recommendations, 40 in all, which set out the measures national governments should take to implement effective anti-money laundering programmes.

#### **How much money is laundered per year?**

By its very nature, money laundering is an illegal activity carried out by criminals which occurs outside of the normal range of economic and financial statistics. Along with some other aspects of underground economic activity, rough estimates have been put forward to give some sense of the scale of the problem.

The International Monetary Fund, for example, has stated in 1996 that the aggregate size of money laundering in the world could be somewhere between two and five percent of the world’s gross domestic product.

Using 1996 statistics, these percentages would indicate that money laundering ranged between US Dollar (USD) 590 billion and USD 1.5 trillion. The lower figure is roughly equivalent to the value of the total output of an economy the size of Spain.

However it must be said that overall it is absolutely impossible to produce a reliable estimate of the amount of money laundered and therefore the FATF does not publish any figures in this regard.

#### **How is money laundered?**

In the initial - or placement - stage of money laundering, the launderer introduces his illegal profits into the financial system. This might be done by breaking up large amounts of cash into less conspicuous smaller sums that are then deposited directly into a bank account, or by purchasing a series of monetary instruments (cheques, money orders, etc.) that are then collected and deposited into accounts at another location.

After the funds have entered the financial system, the second – or layering – stage takes place. In this phase, the launderer engages in a series of conversions or movements of the funds to distance them from their source. The funds might be channeled through the purchase and sales of investment

instruments, or the launderer might simply wire the funds through a series of accounts at various banks across the globe. This use of widely scattered accounts for laundering is especially prevalent in those jurisdictions that do not co-operate in anti-money laundering investigations. In some instances, the launderer might disguise the transfers as payments for goods or services, thus giving them a legitimate appearance.

Having successfully processed his criminal profits through the first two phases the launderer then moves them to the third stage – integration – in which the funds re-enter the legitimate economy. The launderer might choose to invest the funds into real estate, luxury assets, or business ventures.

#### Where does money laundering occur?

As money laundering is a consequence of almost all profit generating crime, it can occur practically anywhere in the world. Generally, money launderers tend to seek out countries or sectors in which there is a low risk of detection due to weak or ineffective anti-money laundering programmes. Because the objective of money laundering is to get the illegal funds back to the individual who generated them, launderers usually prefer to move funds through stable financial systems.

Money laundering activity may also be concentrated geographically according to the stage the laundered funds have reached. At the placement stage, for example, the funds are usually processed relatively close to the under-lying activity; often, but not in every case, in the country where the funds originate.

With the layering phase, the launderer might choose an offshore financial centre, a large regional business centre, or a world banking centre – any location that provides an adequate financial or business infrastructure. At this stage, the laundered funds may also only transit bank accounts at various locations where this can be done without leaving traces of their source or ultimate destination. Finally, at the integration phase, launderers might choose to invest laundered funds in still other locations if they were generated in unstable economies or locations offering limited investment opportunities.

#### How does money laundering affect business?

The integrity of the banking and financial services marketplace depends heavily on the perception that it functions within a framework of high legal, professional and ethical standards. A reputation for integrity is the one of the most valuable assets of a financial institution.

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

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

#### What influence does money laundering have on economic development?

Launderers are continuously looking for new routes for laundering their funds. Economies with growing or developing financial centres, but inadequate controls are particularly vulnerable as established financial centre countries implement comprehensive anti-money laundering regimes.

Differences between national anti-money laundering systems will be exploited by launderers, who tend to move their networks to countries and financial systems with weak or ineffective countermeasures.

Some might argue that developing economies cannot afford to be too selective about the sources of capital they attract. But postponing action is dangerous. The more it is deferred, the more entrenched organised crime can become.

As with the damaged integrity of an individual financial institution, there is a damping effect on foreign direct investment when a country's commercial and financial sectors are perceived to be subject to

the control and influence of organised crime. Fighting money laundering and terrorist financing is therefore a part of creating a business friendly environment which is a precondition for lasting economic development.

#### What is the connection with society at large?

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

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

#### How does fighting money laundering help fight crime?

Money laundering is a threat to the good functioning of a financial system; however, it can also be the Achilles heel of criminal activity.

In law enforcement investigations into organised criminal activity, it is often the connections made through financial transaction records that allow hidden assets to be located and that establish the identity of the criminals and the criminal organisation responsible.

When criminal funds are derived from robbery, extortion, embezzlement or fraud, a money laundering investigation is frequently the only way to locate the stolen funds and restore them to the victims.

Most importantly, however, targeting the money laundering aspect of criminal activity and depriving the criminal of his ill-gotten gains means hitting him where he is vulnerable. Without a usable profit, the criminal activity will not continue.

#### What should individual governments be doing about it?

A great deal can be done to fight money laundering, and, indeed, many governments have already established comprehensive anti-money laundering regimes. These regimes aim to increase awareness of the phenomenon – both within the government and the private business sector – and then to provide the necessary legal or regulatory tools to the authorities charged with combating the problem.

Some of these tools include making the act of money laundering a crime; giving investigative agencies the authority to trace, seize and ultimately confiscate criminally derived assets; and building the necessary framework for permitting the agencies involved to exchange information among themselves and with counterparts in other countries.

It is critically important that governments include all relevant voices in developing a national anti-money laundering program. They should, for example, bring law enforcement and financial regulatory authorities together with the private sector to enable financial institutions to play a role in dealing with the problem. This means, among other things, involving the relevant authorities in establishing financial transaction reporting systems, customer identification, record keeping standards and a means for verifying compliance.

#### Should governments with measures in place still be concerned?

Money launderers have shown themselves through time to be extremely imaginative in creating new schemes to circumvent a particular government's countermeasures. A national system must be flexible enough to be able to detect and respond to new money laundering schemes.

Anti-money laundering measures often force launderers to move to parts of the economy with weak or ineffective measures to deal with the problem. Again, a national system must be flexible enough to be able to extend countermeasures to new areas of its own economy. Finally, national governments need to work with other jurisdictions to ensure that launderers are not able to continue to operate merely by moving to another location in which money laundering is tolerated.

#### What about multilateral initiatives?

Large-scale money laundering schemes invariably contain cross-border elements. Since money laundering is an international problem, international co-operation is a critical necessity in the fight against it. A number of initiatives have been established for dealing with the problem at the international level. International organisations, such as the United Nations or the Bank for International Settlements, took some initial steps at the end of the 1980s to address the problem. Following the creation of the FATF in 1989, regional groupings – the European Union, Council of Europe, Organisation of American States, to name just a few – established anti-money laundering standards for their member countries. The Caribbean, Asia, Europe and southern Africa have created regional anti-money laundering task force-like organisations, and similar groupings are planned for western Africa and Latin America in the coming years.

**In view of the above the Company has to adhere to PMLA rules which are as follows:**

Rule 3 of the Prevention of Money Laundering (Maintenance of records of the nature and value of transactions, the procedure and manner of maintaining of time for furnishing information and verification and maintenance of records of the identity of the clients of the banking companies, financial institutions and intermediaries) Rules, 2005, requires banking company, financial institution and intermediary as the case may be, shall maintain a record of

- all cash transactions of a value of more than Rs.10 lakh or its equivalent in foreign currency (Clause A)
- all series of cash transactions integrally connected to each other which have been valued below Rs.10 lakh or its equivalent in foreign currency where such series or transactions have taken place within a month (Clause B) (it may be noted that the words used are not the same month.)
- all cash transactions where forged or counterfeit currency or bank notes are used and where any forgery of a valuable security has taken place (Clause C)
- all suspicious transactions whether or not made in cash and by way of deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency.(Clause D)
- Credits or debits into or from any non-monetary accounts such as d-mat account, security account in any currency maintained by the banking company, financial institution or intermediary as the case may be.
- Money transfer or remittances in favour of own clients or non-clients from India or abroad and to third party beneficiaries in India or abroad including transactions on its own account in any currency by any of the following:
  - Loans and advances including credit or loan substitutes, investments and contingent liability.
- Collection services in any currency by way of collection of bills, cheques, instruments or any other mode of collection in whatsoever name it is referred to.

**Rule 6** requires the records to be maintained for a period of 10 years from the date of the cessation of the transactions between the client and the company.

**Rule 7** requires appointment of Principal Officer (PO) who shall be responsible for furnishing of the information and for maintenance of records.

**Rule 8** provides that the PO is required to furnish information to the Director, Enforcement Directorate in charge of FEMA in respect of transactions referred to in.

- Clause A and Clause B of Rule 3 by the 15<sup>th</sup> day of the succeeding month.
- Clause C and Clause D of Rule 3 promptly in writing or by fax or email not later than 3 days from the occurrence of such transactions.

**Rule 10** requires maintenance of records relating to the identity of the clients.

- Records to be maintained for a period of 10 years from the date of cessation of the transaction.
- Records shall be maintained in hard as well as soft copy.

In view of the above the company has formed certain policies which are explained as under:

### **Policy for acceptance of clients:**

The following safeguards are to be followed while accepting the clients:

- a. No account is opened in a fictitious/benami name or on an anonymous basis.
- b. Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover, etc. and manner of making payment for transactions undertaken. The parameters should enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of KYC profile.
- c. Ensure that an account is not opened where the intermediary is unable to apply appropriate clients due diligence measures/KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to the intermediary is suspected to be not genuine, perceived non co-operation of the client in providing full and complete information. The market intermediary should not continue to do business with such a person and file a suspicious activity report. It should also evaluate whether there is suspicious trading and determine whether to freeze or close the account. The market intermediary should be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary should consult the relevant authorities in determining what action is to be taken when it suspects suspicious trading.
- d. The circumstance under which the client is permitted to act on behalf of another person/entity should be clearly laid down. It should be specified in what manner the account should be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons (i.e. the agent-client registered with the intermediary, as well as the person on whose behalf the agent is acting) should be clearly laid down. Adequate verification of a person's authority to act on behalf of the customer should also be carried out.
- e. Necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal proceedings by any enforcement agency worldwide.

### **Clients of special category (CSC):**

- a. Non resident clients.
- b. High networth clients.
- c. Trusts, Charities, NGOs and organizations receiving donations.
- d. Companies having close family shareholding or beneficial ownership.
- e. Politically exposed persons (PEP) of foreign origin.
- f. Current/former Head of State, current or former Senior High Profile Politicians and connected persons (immediate family, close advisors and companies in which such individuals have interest or significant influence).
- g. Companies engaged in foreign exchange.
- h. Clients in high risk countries (where existence/effectiveness of money laundering controls is suspect, where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, countries reputed to be any of the following – Havens/sponsors of international terrorism, offshore financial centres, tax havens, countries where fraud is highly prevalent)
- i. Non face to face clients.
- j. Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and the intermediary should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

**Client identification procedure:**

Should strictly follow KYC norms as prescribed by SEBI/PAML Act, 2002.

Should ensure face to face meeting of client, verify the address personally to the extent possible.

**Suspicious Transactions Monitoring & Reporting:**

Indicators of suspicion:

- a. Clients whose identity verification seems difficult or clients appear not to cooperate.
- b. Asset Management Services for clients where the source of the funds is not clear or not in keeping with clients apparent standing/business activity.
- c. Clients in high risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions.
- d. Substantial increase in business without apparent cause.
- e. Unusually large cash deposits made by an individual or business.
- f. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash.
- g. Transfer of investment proceeds to apparently unrelated third parties.
- h. Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks/financial services, businesses reported to be in the nature of export-import of small items.
- i. Is there a genuine reason for paying large sums of money in cash?
- j. Is the customer trying to introduce intermediaries either to protect their identity or hide their involvement?
- k. Is the customer paying in used notes and/or small denominations?
- l. Is the source of the cash known and reasonable?
- m. Are there any unusual requests for collection or delivery?

**Regular and established customers:**

- a. Is the transaction reasonable in the context of the normal business of this customer?
- b. Is the size and frequency of the transaction consistent with the normal activities of the customer?
- c. Has the pattern of transactions changed since the business relationship was established?
- d. Is the customer making efforts to avoid reporting or record keeping requirements?
- e. Amongst common indicators are general areas of concern are such as frequent address changes, client is secretive and reluctant to meet in person, client frequently changes the name of the individuals or contact persons involved, large cash deposits, large cash withdrawals, etc.

**Employees status and integrity:**

- a. ensure the identity verification and past records of the employee. Collect the documents and fill in the employee detail forms.
- b. Keep a check on the time devoted by the employee on internet browsing of personal nature. Whether it is unnatural?

Client Sign × 10.....

Client Name: .....

Place: .....

Date: .....

**SHRI BRIJ SECURITIES PVT. LTD.**  
**Risk Management System for Capital Market & Derivatives Segments**

**BACKGROUND:**

As per the requirements of SEBI and the Stock Exchange(s), the company has designed a Risk Management System for open positions of its clients and proprietary in the Capital Market and Derivatives segments.

**POLICY:**

The company shall on its discretion and as per the requirements of governing and regulatory bodies, collect Initial Margins and Mark to Market (MTM) margins from the clients. In addition, the margins so collected can be topped up as required and exposures of the clients so be adjusted that can vary from client to client basis.

The company shall on its discretion maintain the non-cash component of the client as a percentage of the cash component and the same may vary from client to client basis.

The Directors of the Company are allowed to take the above decisions and the same shall be monitored on a regular basis by automated software or otherwise.

The automated software shall compute the capital available towards the exposure, the policy for such exposure shall be entered into the system by the directors or the compliance officer.

**RISK CONTROL:**

The trading rights of the clients shall cease once the client utilizes 100% of the allocated exposure or is @50% of loss to the capital computed for exposure calculation.

Upon 75% of the clients' capital loss, 50% ransom position of the client shall be squared off, if the client does not infuse clear funds to its margin requirements and/or to cover its loss.

Upon 100% of the clients' capital loss, the entire position of the client shall be squared off.

The loss is a percentage of the capital computed for exposure calculation as per the company's policy or as per the policy framed by the Directors or the Compliance Officer.

**SYSTEMIC CONTROL:**

The clients shall be classified as high, medium and low risk, based on their trading patterns and their funds flow system. The same shall be at the discretion of the Directors.

**DISCLAIMER:**

These are the Risk Management Systems in place, but the clients' liabilities shall be as it is, if the above parameters cannot be executed.

To,  
Shri Brij Securities Pvt. Ltd.  
103 Rajendra Chambers,  
19 Nanabhai Lane,  
Opp. Akbarallys,  
Fountain,  
Mumbai-400001

Dear Sir,

Sub: Authorisation to collect documents and statements

I/We hereby authorize the following person/s to collect Contract notes, Margin statements, statements of funds and securities and/or any other documents related to my/our transactions done through you on BSE/NSE platforms. The said authorisation is given as i/we are not able to come personally all the time. The name/s and signature/s of the person/s authorised to collect such statements and documents are as follows:

Sr. No.	Name of the person	Specimen signature
1.	_____	_____
2.	_____	_____
3.	_____	_____

Thanking you,

Yours faithfully,

Signature: \_\_\_\_\_

Client Name: \_\_\_\_\_

Client code: \_\_\_\_\_

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

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