

# Vimal & Sons

**National Stock Exchange of India limited Member code: 07726**

**SEBI Regn. No & Date INB230772626 (30/08/1995) ❖ INF230772626 (11/12/2001)**

**Registered & Correspondence Office Address:** 6 Abhyuday Apartments, 771 Bhandarkar Road,  
Next to Sane Daily, Pune -411004

**Tel.:(+91-20) 25673566 ❖ Fax: (+91-20) 25672464 ❖ Web site: [www.vimalandsons.com](http://www.vimalandsons.com)**

**Compliance Officer Name :** Mrs. Neelakshi Kshemkalyani

**Tel.:(+91-20) 25673566 ❖ Fax: (+91-20) 25672464**

**Email : [yashodhankhare@vimalandsons.com](mailto:yashodhankhare@vimalandsons.com), [yashodhankhare@hotmail.com](mailto:yashodhankhare@hotmail.com)**

## **Documents Forming part and parcel of KYC kit**

- ☐ Rights and Obligations
- ☐ Risk Disclosure Documents
- ☐ Guidance Note-Do's and Don't's
- ☐ PMLA Information
- ☐ Policies & Procedures
- ☐ Risk Management System

## **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-tamperable 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.

**1.4.1A** "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.

**1.4.2A** "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.

**1.4.3A** 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 about companies / currencies at times float in the market through word of mouth, newspapers, websites or news agencies, etc. The investors should be wary of and should desist from acting on rumors.

### **1.7 System Risk:**

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

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

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

### **1.8 System/Network Congestion:**

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

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

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

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

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

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

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

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

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

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

### **2.2 Currency specific risks:**

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

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

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

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

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

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

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

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

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

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

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

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

## **4. GENERAL**

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

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

## Annexure-6

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

#### BEFORE YOU BEGIN TO TRADE

1. Ensure that you deal with and through only SEBI registered intermediaries. You may check their SEBI registration certificate number from the list available on the Stock exchanges [www.exchange.com](http://www.exchange.com) and SEBI website [www.sebi.gov.in](http://www.sebi.gov.in).
2. Ensure that you fill the KYC form completely and strike off the blank fields in the KYC form.
3. Ensure that you have read all the mandatory documents viz. Rights and Obligations, Risk Disclosure Document, Policy and Procedure document of the stock broker.
4. Ensure to read, understand and then sign the voluntary clauses, if any, agreed between you and the stock broker. Note that the clauses as agreed between you and the stock broker cannot be changed without your consent.
5. Get a clear idea about all brokerage, commissions, fees and other charges levied by the broker on you for trading and the relevant provisions/ guidelines specified by SEBI/Stock exchanges.
6. Obtain a copy of all the documents executed by you from the stock broker free of charge.
7. In case you wish to execute Power of Attorney (POA) in favour of the Stock broker, authorizing it to operate your bank and demat account, please refer to the guidelines issued by SEBI/Exchanges in this regard.

#### TRANSACTIONS AND SETTLEMENTS

8. The stock broker may issue electronic contract notes (ECN) if specifically authorized by you in writing. You should provide your email id to the stock broker for the same. Don't opt for ECN if you are not familiar with computers.
9. Don't share your internet trading account's password with anyone.
10. Don't make any payment in cash to the stock broker.
11. Make the payments by account payee cheque in favour of the stock broker. Don't issue cheques in the name of sub-broker. Ensure that you have a documentary proof of your payment/deposit of securities with the stock broker, stating date, scrip, quantity, towards which bank/ demat account such money or securities deposited and from which bank/ demat account.
12. Note that facility of Trade Verification is available on stock exchanges' websites, where details of trade as mentioned in the contract note may be verified. Where trade details on the website do not tally with the details mentioned in the contract note, immediately get in touch with the Investors Grievance Cell of the relevant Stock exchange.
13. In case you have given specific authorization for maintaining running account, payout of funds or delivery of securities (as the case may be), may not be made to you within one working day from the receipt of payout from the Exchange. Thus, the stock broker shall maintain running account for you subject to the following conditions:
  - a) Such authorization from you shall be dated, signed by you only and contains the clause that you may revoke the same at any time.
  - b) The actual settlement of funds and securities shall be done by the stock broker, at least once in a calendar quarter or month, depending on your preference. While settling the account, the stock broker shall send to you a 'statement of accounts' containing an extract from the client ledger for funds and an extract from the register of securities displaying all the receipts/deliveries of funds and securities. The statement shall also explain the retention of funds and securities and the details of the pledged shares, if any.
  - c) On the date of settlement, the stock broker may retain the requisite securities/funds towards outstanding obligations and may also retain the funds expected to be required to meet derivatives margin obligations for next 5 trading days, calculated in the manner specified by the exchanges. In respect of cash market transactions, the stock broker may retain entire pay-in obligation of funds and securities due from clients as on date of settlement and for next day's business, he may retain funds/securities/margin to the extent of value of transactions executed on the day of such

settlement in the cash market.

- d) You need to bring any dispute arising from the statement of account or settlement so made to the notice of the stock broker in writing preferably within 7 (seven) working days from the date of receipt of funds/securities or statement, as the case may be. In case of dispute, refer the matter in writing to the Investors Grievance Cell of the relevant Stock exchanges without delay.
- 14. In case you have not opted for maintaining running account and pay-out of funds/securities is not received on the next working day of the receipt of payout from the exchanges, please refer the matter to the stock broker. In case there is dispute, ensure that you lodge a complaint in writing immediately with the Investors Grievance Cell of the relevant Stock exchange.
- 15. Please register your mobile number and email id with the stock broker, to receive trade confirmation alerts/ details of the transactions through SMS or email, by the end of the trading day, from the stock exchanges.

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

- 16. In case, a stock broker surrenders his membership, is expelled from membership or declared a defaulter; Stock exchanges gives a public notice inviting claims relating to only the "transactions executed on the trading system" of Stock exchange, from the investors. Ensure that you lodge a claim with the relevant Stock exchanges within the stipulated period and with the supporting documents.
- 17. Familiarize yourself with the protection accorded to the money and/or securities you may deposit with your stock broker, particularly in the event of a default or the stock broker's insolvency or bankruptcy and the extent to which you may recover such money and/or securities may be governed by the Bye-laws and Regulations of the relevant Stock exchange where the trade was executed and the scheme of the Investors' Protection Fund in force from time to time.

#### **DISPUTES/ COMPLAINTS**

- 18. Please note that the details of the arbitration proceedings, penal action against the brokers and investor complaints against the stock brokers are displayed on the website of the relevant Stock exchange.
- 19. In case your issue/problem/grievance is not being sorted out by concerned stock broker/sub-broker then you may take up the matter with the concerned Stock exchange. If you are not satisfied with the resolution of your complaint then you can escalate the matter to SEBI.
- 20. Note that all the stock broker/sub-brokers have been mandated by SEBI to designate an e-mail ID of the grievance redressal division/compliance officer exclusively for the purpose of registering complaints.

**VIMAL & SONS**  
**POLICIES AND PROCEDURE FOR PREVENTION OF MONEY LAUNDERING**  
**(Issued as per the requirements of the PMLA Act 2002)**

**1. Firm Policy**

It is the policy of the firm to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets.

**2. Principal Officer Designation and Duties**

The firm has designated Mr. Atul Khare, Partner as the Principal Officer for its Anti-Money Laundering Program, with full responsibility for the firm's AML program. Mr. Atul Khare is Marine Engineer, and is qualified by experience, knowledge and training. The duties of the Principal Officer will include monitoring the firm's compliance with AML obligations and overseeing communication and training for employees. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU – IND)

The firm has provided the FIU with contact information for the Principal Officer, including name, title, mailing address, e-mail address and telephone number. The firm will promptly notify FIU of any change to this information.

**3. Customer Identification and Verification**

At the time of opening an account or executing any transaction with it, the firm will verify and maintain the record of identity and current address or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status as under

| Constitution of Client | Proof of Identity                                                               | Proof of Address                                             | Others                                                                            |
|------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------------------------|
| Individual             | 1. PAN Card                                                                     | 2. Electricity / Telephone Bill, Copy of Bank Statement, etc | 3. N.A.                                                                           |
| Company                | 4. PAN Card<br>5. Certificate of incorporation<br>6. Memorandum and Articles of | 8. As above                                                  | 9. Proof of Identity of the Directors/Others authorized to trade on behalf of the |

|                  |                                                                                                                                                                |              |                                                                                                               |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------------------------------|
|                  | 7. Association<br>Resolution of<br>Board of<br>Directors                                                                                                       |              | firm                                                                                                          |
| Partnership Firm | 10. PAN Card<br>11. Registration<br>certificate<br>12. Partnership<br>deed                                                                                     | 13. As above | 14. Proof of<br>Identity of the<br>Partners/Others<br>authorized<br>to trade on<br>behalf of the<br>firm      |
| Trust            | 15. PAN Card<br>16. Registration<br>certificate<br>17. Trust deed                                                                                              | 18. As above | 19. Proof of<br>Identity of the<br>Trustees/<br>others<br>authorized to<br>trade on<br>behalf of the<br>trust |
| AOP/ BOI         | 20. PAN Card<br>21. Resolution of<br>the managing<br>body<br>22. Documents to<br>collectively<br>establish the<br>legal<br>existence of<br>such an AOP/<br>BOI | 23. As above | 24. Proof of<br>Identity of the<br>Persons<br>authorized to<br>trade on<br>behalf of the<br>AOP/ BOI          |

25. If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our firm will not open the new account.
26. All PAN Cards received will verified form the Income Tax/ NSDL website before the account is opened
27. The firm will maintain records of all identification information for ten years after the account has been closed

#### 4. Maintenance of records

The Principal Officer will be responsible for the maintenance for following records

- all cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- all series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month;

- 1) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- all suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith -
  - gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
  - appears to be made in circumstances of unusual or unjustified complexity; or
  - appears to have no economic rationale or bonafide purpose; or
  - gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

The records shall contain the following information:

- the nature of the transactions;
- the amount of the transaction and the currency in which it was denominated;
- the date on which the transaction was conducted; and
- the parties to the transaction."

The records will be updated on daily basis, and in any case not later than 5 working days

#### 5. Monitoring Accounts For Suspicious Activity

The firm will monitor through the automated means of Back Office Software for unusual size, volume, pattern or type of transactions. For non automated monitoring, the following kind of activities are to be mentioned as Red Flags and reported to the Principal Officer.

- The customer exhibits unusual concern about the firm's compliance with government reporting requirements and the firm's AML policies (particularly concerning his or her identity, type of business and assets), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or business documents.

- The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business or investment strategy.

- The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.

- Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.

- The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.

- The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.

- The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.

- The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.

- The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash, or asks for exemptions from the firm's policies relating to the deposit of cash.

- The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the Rs.10,00,000 government reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.

- For no apparent reason, the customer insists for multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers.

- The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose.

- The customer requests that a transaction be processed to avoid the firm's normal documentation requirements.

- The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as Z group and T group stocks, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)

- The customer's account shows an unexplained high level of account activity

- The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.

- The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

When a member of the firm detects any red flag he or she will escalate the same to the Principal Officer for further investigation

Broad categories of reason for suspicion and examples of suspicious transactions for an intermediary are indicated as under:

#### Identity of Client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities

#### Suspicious Background

- Suspicious background or links with known criminals

#### Multiple Accounts

- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale

- Unexplained transfers between multiple accounts with no rationale

#### Activity in Accounts

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading

#### Nature of Transactions

- Unusual or unjustified complexity

- No economic rationale or bonafide purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off market transactions

#### Value of Transactions

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client
- Block deal which is not at market price or prices appear to be artificially inflated/deflated

### 6. Reporting to FIU IND

#### For Cash Transaction Reporting

- All dealing in Cash that requiring reporting to the FIU IND will be done in the CTR format and in the matter and at intervals as prescribed by the FIU IND

#### For Suspicious Transactions Reporting

We will make a note of Suspicion Transaction that have not been explained to the satisfaction of the Principal Officer and thereafter report the same to the FIU IND and the required deadlines. This will typically be in cases where we know, suspect, or have reason to suspect:

- the transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any the transaction reporting requirement,
- the transaction is designed, whether through structuring or otherwise, to evade the any requirements of PMLA Act and Rules framed thereof
- the transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and we know, after examining the background, possible purpose of the transaction and other facts, of no reasonable explanation for the transaction, or
- the transaction involves the use of the firm to facilitate criminal activity.

We will not base our decision on whether to file a STR solely on whether the transaction falls above a set threshold. We will file a STR and notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist, or corrupt activities.

All STRs will be reported quarterly to the Partners, with a clear reminder of the need to maintain the confidentiality of the STRs

We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the PMLA Act and Rules thereof.

### 7. AML Record Keeping

#### a. STR Maintenance and Confidentiality

We will hold STRs and any supporting documentation confidential. We will not inform anyone outside of a law enforcement or regulatory agency or securities regulator about a STR. We will refuse any requests for STR information and immediately tell FIU IND of any such request we receive. We will segregate STR filings and copies of supporting documentation from other firm books and records to avoid disclosing STR filings. Our Principal Officer will handle all requests or other requests for STRs.

**b. Responsibility for AML Records and SAR Filing**

Principal Officer will be responsible to ensure that AML records are maintained properly and that STRs are filed as required

**c. Records Required**

As part of our AML program, our firm will create and maintain STRs and CTRs and relevant documentation on customer identity and verification. We will maintain STRs and their accompanying documentation for at least ten years.

**8. Training Programs**

We will develop ongoing employee training under the leadership of the Principal Officer. Our training will occur on at least an annual basis. It will be based on our firm's size, its customer base, and its resources.

Our training will include, at a minimum: how to identify red flags and signs of money laundering that arise during the course of the employees' duties; what to do once the risk is identified; what employees' roles are in the firm's compliance efforts and how to perform them; the firm's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.

We will develop training in our firm, or contract for it. Delivery of the training may include educational pamphlets, videos, intranet systems, in-person lectures, and explanatory memos.

We will review our operations to see if certain employees, such as those in compliance, margin, and corporate security, require specialized additional training. Our written procedures will be updated to reflect any such changes.

**9. Monitoring Employee Conduct and Accounts**

We will subject employee accounts to the same AML procedures as customer accounts, under the supervision of the Principal Officer. We will also review the AML performance of supervisors, as part of their annual performance review. The Principal Officer's accounts will be reviewed by Partners.

**10. Confidential Reporting of AML Non-Compliance**

Employees will report any violations of the firm's AML compliance program to the Principal Officer, unless the violations implicate the Compliance Officer, in which case the employee shall report to the Partner of the firm, Mr. Yashodhan Khare. Such reports will be confidential, and the employee will suffer no retaliation for making them.

11. Partners Approval

We have approved this AML program as reasonably designed to achieve and monitor our firm's ongoing compliance with the requirements of the PMLA and the implementing regulations under it.

For VIMAL & SONS

Yashodhan Khare  
PARTNER

For VIMAL & SONS

Atul Khare  
PARTNER

## POLICIES AND PROCEDURES

This document outlines various policies and procedures framed and followed by VIMAL & SONS ("V&S") with respect to its dealing with its clients as a stock broker on National Stock Exchange of India Ltd. ("NSE"). (hereinafter referred as "the Exchange".)

The policies and procedures as stated herein below are subject to change from time to time at the sole discretion of V&S, depending upon regulatory changes, its risk management framework, other market conditions, etc.

The said policies and procedures and any revision/updation in the same from time to time is/will be available in the Client's web login provided by V&S on its web site. The Client can access and refer to such policies and procedures by using user Id and password provided by V&S. The policies & procedure updations will also be physically sent to the clients.

### **A. Setting up the client's exposure limits**

While setting up the exposure limits for and on behalf of the clients, V&S broadly takes into consideration the regulatory requirement, client profile, internal risk management policy, market conditions, etc. Considering the said parameters the exposure limit for a client would be set up as follows:

- Exposure limits to the client will be provided based on the available margin in the client's broking account maintained with V&S.
  - The exposure limits will be a certain multiple of the available margin. Such multiplier will be as decided by V&S from time to time and may vary from client to client.
  - On a case-to case basis V&S, at its sole and absolute discretion allow clean exposure limits to the client.
  - In case of cash segment, V&S may at its sole and absolute discretion allow clean exposure limit up to certain amount to the client without insisting for any credit balance and/or margin. The quantum of clean exposure limit shall be decided by V&S. On a case-to-case basis V&S may, at its sole and absolute discretion, give higher clean exposure limits to certain set of the clients. V&S reserves the right to withdraw clean exposure limit granted to the client at any point of time at its sole and absolute discretion.
  - Available margin for the purpose of granting exposure is calculated as a sum of free credit balance of the client in V&S's books, margin in the form of funds, securities, bank fixed deposit, bank guarantee, etc. of the client available with V&S.
  - The choice of the securities to be considered as margin shall be determined by V&S at its sole discretion from time to time and the client shall abide by the same.
- deposit, bank guarantee, etc. of the client available with V&S, and the value of securities held

- While granting the exposure limit, margin in the form of securities will be valued as per the previous day's closing price on NSE or BSE after applying appropriate haircut as may be decided by V&S at its sole discretion.
  - V&S may from time to time depending on market conditions, profile and history of the client, type and nature of scrip, etc., at its sole discretion charge/change the rate of haircut applicable on the securities given as margin, multiplier for granting exposure in Cash/F&O segments and take such steps as V&S may deem appropriate.
  - The Client will have to abide by the exposure limit set by V&S.

**B. Refusal of orders of Penny Stocks and/or illiquid Stocks/Contracts/Options**

In view of the risks associated in dealing with Penny Stocks and/or illiquid Stocks/Contracts/options, V&S would generally advise its clients to desist from trading in them. Further, SEBI, Exchanges or V&S may issue circulars or guidelines necessitating exercising additional due diligence by the clients, for dealing in such securities.

A security may be treated as Penny Stocks/Illiquid Stock/Contracts/Options if it falls in any one category as mentioned herein below:

- Securities (with face value of Rs. 10 and above) traded at less than Rs. 10/- on any of the Exchanges.
- Securities appearing in the list of illiquid securities issued by the Exchanges periodically.
- Securities forming part of Trade-to-Trade settlement.
- Securities forming part of Z group.
- Securities on which Exchange VaR is more than 50%.
- Scrip whose average daily volume in last seven days is less than 15,000 shares (collectively for all Exchanges.)
- Illiquid options/far month options/ long dated options.
- Any other securities/ contracts/options as may be decided by V&S, which may be considered by V&S in its sole discretion as volatile or subject to market manipulation or have concentration risk at client level or at the security level or any other reason.

Trading in such securities will be allowed to the client at the sole and absolute discretion of V&S. Such securities may be blocked in normal trading system and any dealing in such securities will be allowed only on the approval of the Risk team as it may deem fit. V&S may restrict the quantity of such securities if the client is allowed to buy/sell. V&S may further insist upto 100% advance pay-in of funds/securities before allowing trades in such securities.

Under no circumstances, V&S shall be responsible for non-execution/delay in execution of such Orders and consequential opportunity loss or financial loss to the client.

The above list of criteria is an indicative list. V&S may at its sole and absolute discretion define from time to time other category/criteria to treat a security as Penny Stocks/Illiquid Stock/ Contracts/Options.

**C. Imposition of penalty/delaved payment charges by either party, specifying the rate and the period**

**Imposition of Penalties**

The Exchanges/Clearing Corporation/ SEBI levies penalties on the broker for irregularities Observed by them during the course of business. V&S shall recover such imposed penalties /levies, if any, by the Exchange / regulators, from the client which arise on account of dealings by such client. Few of the examples of violations for which penalties may be levied are as follows:

- Auction of securities pursuant to short deliveries by the client;
- Non adherence to client level exposure limits in Cash and F&O segment;
- Short margin reporting in F&O segment;
- Any other reasons which may be specified by the Exchanges/Clearing Corporation/SEBI from time to time.

Such recovery would be by way of debit in the ledger of the client and amounts would be adjusted against the dues owed by V&S to the clients.

**Delaved payment charges**

While dealing with V&S it is a responsibility of the client to ensure that the required margins (including but not limited to initial margin, mark to market and/or other margins), any outstanding settlement obligations and/or any other dues payable to V&S are paid within the time period stipulated by the Exchanges or V&S, whichever is earlier.

In the event if the client defaults in meeting its above said obligations towards V&S and maintain any debit balance in V&S's books beyond the stipulated time period, V&S shall have absolute discretion to charge and recover from the client's account, delayed payment charges at such rate/manner/interval as may be determined by V&S from time to time for the delayed period.

Delayed payment charge is only a penal measure. The client should not construe it as funding arrangement. The client cannot demand continuation of service on a permanent basis citing levy of delayed payment charges.

The client will not be entitled to any interest on the credit balance/surplus margin available /kept with V&S.

**D. 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.**

The client needs to furnish adequate margin as specified by V&S from time from its sole and absolute discretion in such form and manner as may be required by V&S.

The margin will have to be paid within the time frame stipulated by the Exchanges or V&S, generally in case of fresh positions upfront, in case of mark to market and/or any other additional margins before the commencement of trading on next trading day and in case where the Exchanges levy and/or increase in any such margin.

The Client shall fulfill all his/her/its settlement obligations and/or other liabilities including but not limited to DP charges to V&S within the time frame stipulated by the V&S or the Exchanges, whichever is earlier.

Without prejudice to its other rights and remedies available under the member client agreement(s) executed/to be executed by and between the client and V&S (hereinafter referred to as "the Agreement") or at law, V&S shall be entitled, in its sole and absolute discretion, to liquidate/close out all or any of the client's open/outstanding position, sell the client's securities (whether approved by V&S or not) available with V&S and/or held in the client's demat account for which power of attorney is granted in favour of V&S at any time to recover its dues without giving any notice to the client in the following circumstances:

- If the client fails to pay any margin, settlement obligations and/or other liabilities (including - but not limited to DP charges) due to V&S within the stipulated time frame.
- In the event that the market value of the client's securities, lying as margin or bought by the client for which payment is not made by the client, for any reason fall or is anticipated to fall, or circumstances arise or are likely to arise which may in the sole opinion of V&S jeopardize its interest and expose it or is likely to expose it to any financial loss or damage.

Any and all losses (actual or national), financial charges, damages on account of such liquidation/sell /closing-out shall be borne by the client only.

**E. Conditions under which the client may not be allowed to take further position or V&S may – Close the existing position of the client.**

Any illustrative list of circumstances in which V&S may not allow the client to take further position or may close/liquidate a part of or whole of the existing position of the client are as follows:

- Failure by the client in providing sufficient/adequate margin(s) and /or insufficient/inadequate free credit balance available in client's broking account with V&S;

- If the client fails to deposit the margin/additional margin by the deadline or if an outstanding debt occurs in the client's brokerage account with V&S beyond the stipulated time period;
- If the client fails to maintain the requisite margin in such from and manner as may be specified – by V&S from time to time;
- Settlement obligations are not paid by the client within the time frame allowed by the Exchanges – or as per the norms specified by V&S from time to time at its sole and absolute discretion;
- Securities falling in the category of Penny Stocks/Illiquid Stocks/Contract/Options as described in policy (b) above;
- Trades which apparently in the sole and absolute discretion of V&S seems to be Synchronized – Trades/Circular trading/Artificial trading/Manipulative in nature, etc.;
- Securities/F&O contracts banned by the regulatory authorities;
- Any ban imposed in the client by the regulatory authorities;
- Where name of the client apparently resembles with the name appearing in the list of debarred – entities published by SEBI/Exchanges (where the information available for the debarred entity – (other than name) is not sufficient enough to establish that the client and such debarred entity are one and the same);
- The client fails to furnish documents/information as may be called for by V&S from time to time as per regulatory requirement and/or as per its internal policy.
- In the event of death or insolvency of the client or the client otherwise becoming incapable of – receiving and paying for or delivering or transferring securities which the client has ordered to – be bought or sold;
- Depending on the market circumstances if V&S is of the view that the positions of the clients are at risk then V&S may close the existing position without waiting for the pay-in schedule of the Exchanges.

V&S may take the action under this policy with/without giving any notice or intimation to the client. V&S will not be responsible for any opportunity loss or financial loss to the client in the event any – action taken by it under this policy.

**F: Applicable Brokerage Rate**

For rendering the broking services, V&S charges brokerage to the client. The Brokerage rate will be – as per the terms agreed with the client at the time of client registration. The brokerage rate will be communicated to the client by way of Welcome letter sent to him. The client shall verify the welcome kit and verify the welcome kit and revert within 30 days in case the brokerage rates is not as per the terms agreed.

The brokerage rate may be varied in future as agreed between the client and V&S which will be intimate to the client in writing.

The brokerage rate at no point of time will exceed the rates as may be specified by the Exchanges/SEBI from time to time.

The brokerage will be exclusive of the following except in cases where it is agreed otherwise:

- Service Tax and Education Cess
- SEBI/Exchange/Clearing member charges
- Stamp duty
- Statutory charges payable to Exchange/SEBI/Govt. Authorities etc.

**G. Temporary suspending or closing client's broking account at client's request**

A client who wishes to temporarily suspend or close his/her/its broking account can do so by – submitting a written request or by email (through email id registered with V&S) in the form and Format as may be prescribed by V&S. The request can be submitted to the servicing branch or sub-broker or the head office of V&S. Prior to submission of such request the client should ensure that all amounts due and payable to V&S are paid. Requests from a client where no dues are outstanding would be processed within 15 working days from the date of receipt of the request.

If the client wants to active the broking account then a request for reactivating the broking account should be sent in writing/via email (through email id registered with V&S) to V&S along with such documentary evidence as may be specified by V&S from time to time.

**H. Policy for Inactive clients**

Any client who has not traded in any segment of any of the Exchanges with V&S for last one year calculated from the beginning of every financial year or such other period as may be decided by V&S at its sole and absolute discretion then such client would be termed as a Dormant/Inactive client.

The broking account of such client shall be deactivated/suspended temporarily by V&S. If the client wants to activate the broking account then a request for reactivating the broking account should be sent in writing/via email (through email id registered with V&S) to V&S or may convey the same over recorded telephone lines followed with written request. Such request for reactivation should be accompanied along with such documentary evidence as may be specified by V&S from time to Time.

If the client is tagged as a Dormant/Inactive client, then the funds/securities lying with V&S may be refunded/returned to the clients at his/her/its last known bank account/DP account or send at last known address of the client as per V&S record.

**I. Deregistering a client**

Without prejudice to V&S rights and remedies available under the Agreement , V&S may forthwith, At its sole and absolute discretion, de-register the client with/without prior notice/intimation in the Following circumstances:

- Where the client indulges in any irregular trading activities like synchronized trading, price manipulation, trading in illiquid securities /options/contracts, self trades, trading in securities at prices significantly away from market price etc.;
- Any enquiry/investigation is initiated by the Exchanges /regulators against the client;
- Any regulatory action taken/initiated against the client by the Exchanges/regulators including but not limited to debarring the client from accessing the capital market;
- Where name of the client apparently resembles with the name appearing in the list of debarred entities published by SEBI /Exchanges (where no information other than name is available);
- Name of the client appears in database/website of CIBIL, Watch Out Investors, World check, etc.;
- The client having suspicious background or link with suspicious organization;
- Where the client is non-traceable, has pending disputes with V&S ,possibility of a default by the client;
- any other circumstances leading to a breach of confidence in the client for reasons like return of undelivered couriers citing reasons of “No such person/Addressee left / Refusal to accept mails, etc.; continues cheque bouncing, or not furnishing the financial and other details as may be called for by V&S from time to time etc.;
- Upon receipt or written information about the death of client;
- Such other circumstances which in the sole opinion of V&S warrants to de-register the client.

In all such cases, V&S shall have the right to close out the existing open positions/contracts, sell/liquidate the margin (in any form) to recover its dues, if any, before de-registering the client. V&S shall not be liable to the client for any loss or damage (actual/notional), which may be caused to the client as a result. Also while de-registering the clients, V&S may retain certain amount / securities dues / belonging to the client for meeting any current obligations arising out of dealing of the client with V&S. In case if any securities retained by V&S is sold / liquidated to recover any such losses, liability, penalties. V&S shall have the sole authority to decide the mode, manner and the price at which to effect the sale of securities.

In any of the above circumstances, if the client is able to justify his/her /its innocence either by producing any record, document or otherwise to the full satisfaction of V&S, V&S may reconsider its decision of de-registering the client.

**J. Shortages in obligations arising out of internal netting of trades**

V&S has the following policy for setting transaction, which remain unsettled due to Internal Shortages:

Internal Shortages means one client has failed to give the delivery of the securities sold, which has resulted into short delivery to other client(s) of V&S. The transactions, which remain unsettled due to the internal Shortage of securities shall be closed out as follows:

|                                                                                                |                                                                                                                                    |
|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| For securities, Which are part of Nifty or Sensex indices or traded in NSE Derivatives Segment | The transaction will be closed out at 5% above the closing rate of the security on the T+3 <sup>rd</sup> day i.e. the auction day. |
| For all other securities                                                                       | The transaction will be closed out at 8% Above the closing rate of the security on the T+3 <sup>rd</sup> day i.e. the auction day. |

Accordingly, if a client fails to give the delivery of the securities sold, which if resulted in to Internal Shortage, such client will be debited for the transaction at the rates prescribed above. Similarly, if V&S is unable to give the delivery of the securities bought by any client due to the Internal Shortage, such client will receive the credit for the transaction at the rates prescribed above.

**General**

V&S shall have the right at its sole and absolute discretion to amend/change/revise any of the above said policies and procedure at time in future and the same shall be intimated to the client. Further and the same would be binding on the client forthwith.

In case of any action taken by V&S in accordance with the policies and procedure mentioned herein above V&S shall not be liable to the client for any loss or damage (actual / notional), which may be caused to the client as a result.

In case if any of the client's securities available with V&S and/or held in the client's demat account for which power of attorney is granted in favour of V&S is sold/liquidate in accordance with the policies and procedure mentioned herein above, V&S shall have the sole authority to decide the manner, mode and the price at which to effect the sale of securities and the client can not raise any dispute as to the manner, mode and the price at which the securities are sold by V&S.

**Vimal & Sons**

**Regd. & Correspondence Office :** 6, Abhyuday Apartment, 771, Bhandarkar Road, Next to Sane Dairy, Pune - 411004.  
NSE - Capital Market INB 230772626 / F & O Segment INF 230772626

## RISK MANAGEMENT SYSTEM

We give exposure to client based on margin available in the system and clean exposure to selected clients based on recommendations of the compliance officer/partner. It is the duty of dealers to validate such exposures with the financial details provided by the client in KYC form. Where there is trading activity of the client, which is not commensurate with the financial details declared by the client, it should be analyzed and referred to the partners with reasons of suspicion.

### MONITORING OF TRANSACTIONS

- ① Scrutinize unusually large transactions like, clients having traded in scrips/shares of a company for a quantity of 20,000 or more in a single day and volume in that scrip of that client is 10 % or more of the total volume in that scrip at the Exchange.
- ① Check trade log for indication of negotiated trades (if any).
- ① Check for any relation of the client with the company / directors / promoters.
- ① Check previous trading pattern of the client in that particular scrip.
- ① Scrutinize bulk deal transactions by sample check. A 'bulk' deal constitutes transaction in scrip (on a Exchange) where total quantity of shares bought/sold is more than 0.5% of the number of equity shares of the company listed on the Exchange.
- ① Select randomly a few clients, pick up some of their high value transactions and scrutinize to check whether they are of suspicious nature or not.
- ① If there is a substantial increase in turnover in a dormant account then it, should be brought into the notice of the compliance officer/ proprietor. Review balances and trading in the dormant accounts. Be vigilant on the movement of credit balances from the dormant account.
- ① Analysis be carried out by dealers to identify clients with huge and regular losses and who are still placing trades/orders. Identify the sources of funds in such cases.
- ① Suspicious transaction to include ' transaction integrally connected' as well as 'transactions remotely connected or related'.

### MONITORING OF PROPRIETARY TRANSACTION OF ASSOCIATES

- ① For scrutiny / background check of the Associates (Sub-brokers, Remisiers) websites such as [www.watchoutinvestors.com](http://www.watchoutinvestors.com) should be referred. Also, verify Prosecution Database / List of vanishing Companies available on [www.sebi.gov.in](http://www.sebi.gov.in)
- ① Check for high volume in proprietary accounts of Remisiers / Sub-broker and his/her relations.
- ① Scrutinize Demat account of client.
- ① List all off market inward / outward transaction and seek explanations from concerned Sub-broker separately.
- ① Check for third party funds (cheques received from bank accounts other than mapped bank accounts and demand drafts / pay orders)