

**POLICIES AND PROCEDURES**

This document outlines various policies and procedures framed and followed by **INNOVATE SECURITIES PVT. LTD.** (Stock Broker) with respect to its dealing with its clients and as a stock broker on Bombay Stock Exchange Ltd. (BSE) & National Stock Exchange of India Ltd. (NSE)

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

The said policies and procedures which are subject to up gradation in the same from time to time are producer below for the benefit and notice of all our clients.

**A. Refusal of orders for Penny Stocks and/or Illiquid Stocks**

In view of the risks associated in dealing with Penny Stocks and/or Liquid Stocks, Stock Broker would generally advice its client to desist from trading in them. Further, SEBI, BSE / NSE or Stock Broker may issue circulars or guidelines necessitating exercising additional due diligence by the clients, for dealing in such securities.

Although, the term "Penny Stock" is not defined by BSE / NSE / SEBI, a "Penny Stock" generally refers to a stock whose characteristics include but are not limited to :

- Small marker capitalization.
- Trading at a price less than its face value.
- Have unsound fundamentals and or which may / may not be liquid (A list of liquid securities is jointly released by NSE and BSE from time to time.)
- Stock Broker recognizes that it is the client's privilege to choose shares in which he / she would like to trade. However, Stock Broker likes to pay special attention to dealing in "Penny Stocks". To this end :
- Stock Broker may refuse to execute any client's orders in "Penny Stock" without assigning any reason for the same.
- Any large order for purchase or sale of a "Penny Stock" should be refused to Head - Dealing before such orders can be put in the marker for execution.
- Clients must ensure that trading in "Penny Stock" does not result in creation of artificial volume or false or misleading appearance of trading. Further, clients should ensure that trading in "Penny Stock" does not operate as a device to inflate or depress or cause fluctuations in the price of such stock.
- Client are expected not to place orders in "Penny Stock" at prices which are substantially different form the prevailing marker prices. Any such order is liable to be rejected at the sole discretion of Stock Broker.
- In case of sale of "Penny Stock", clients should ensure the delivery of shares to Stock Broker before the pay-in date.
- Under no circumstances, Stock Broker shall be responsible for non-execution / delay in execution of such orders and consequential opportunity loss or financial loss to that client.

The above list of criteria is an indicative list. Stock Broker may at its sole and absolute discretion define from time to time order category / criteria to treat a security as Penny Stock and / or Illiquid Stocks.

**B. Setting up the clients' exposure limits**

While setting up the exposure limits for and on behalf of the clients, Stock Broker 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 limit for each client is determined by the Risk Management Department based on client's net worth in formations, client's financial capacity, prevailing marker conditions and margin deposited by client in the form of funds / securities with Stock Broker. These limits may be set exchange - wise, segment - wise, and scrip-wise.



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- The limits are determined by Risk Management Department based on the above criteria and the payment history of the client in consultation with Sales / Sales traders.
- Whenever any client has taken or wants to take an exposure in any security, Stock Broker may call for appropriate margins in the form of early pay-in of shares or funds before or after execution of trades in the Cash segment. In case of any margin shortfall, the clients will be told to reduce the position immediately or they will be requested to deposit extra margin to meet the shortfall. Otherwise, Stock Broker may refuse to trade on behalf of such client at its own discretion.
- In case of cash segment, Stock Broker 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 Stock Broker. On case to case basis Stock Broker may, at its sole and absolute discretion, give higher clean exposure limits to certain set of clients. Stock Broker and absolute discretion. The client cannot raise any concern / dispute for the same.
- The Client will abide by the exposure limit set by Stock Broker.

### **C. Applicable Broker Rate**

For rendering the brooking services, Stock Broker charges brokerage to the client. The Brokerage rate will be as per the terms agreed with the client at the time of client registration.

- Brokerage Rate is mutually decided between the Stock Broker and each client based on client's net worth, expected trading volume, etc. The maximum brokerage chargeable will not exceed the rates prescribed by SEBI. BSE / NSE and / or Securities Contract Act and Rules or any other relevant statutes.
  - The applicable brokerage rate will be mentioned in the Client registration form and any change in the brokerage rate in future will be communicated to the client by giving minimum 15 days' Notice.
- The brokerage will be exclusive of the following except in cases where it is agreed otherwise :
- Service Tax and Education Cess
  - STT / Exchange / Clearing member charges
  - Stamp duty
  - Statutory charges payable to BSE / NSE / SEBI Govt. Authorities etc.
  - Any other charges towards customized / specialized service
  - The Stock Broker retains his discretion to charge any changes in any of the above charges or any future taxes. SEBI or Exchange charges, Stamp duty and/ or any other statutory charges to the client without any prior agreement with the client.

### **D. Imposition of penalty / delayed payment charges by either party, specifying the rate and the period**

#### **(i) Imposition of Penalties**

BSE / NSE / Clearing Corporation / SEBI levies penalties on the broker for irregularities observed by them during the course of business. Stock Broker shall recover such imposed penalties / levies, if any, by BSE / NSE regulator / Clearing Corporation, from the client which arise on the account of dealings by such client. Such recovery would be by way of debit in the ledger of the client and amounts would be adjusted against the dues owed by Stock Broker to the clients.

#### **(ii) Delayed payment charges**

While dealing with Stock Broker it is a responsibility of the client to ensure that the required margin obligation or settlement obligation or any other dues payable to Stock Broker are paid within the time period stipulated by BSE / NSE or Stock Broker. Whenever earlier.

In the event if the client defaults in meeting its above said obligations towards Stock Broker, Stock Broker Shall have absolute discretion to charge and recover from the client's account. Delayed payment charges @ 18% per annum for the delayed period. Such DPC shall be debited to the clients account by the stock broker at the end of every month.

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 Stock Broker.

No interest or charges will be paid by Stock Broker to any client in respect of retention of funds or securities towards meeting future settlement obligations and in respect of running account authorizations. Further, the stock broker shall not be liable to any penalty charges exceeding 18 % per annum on the amount actually due to the client if the same is not pay to the client with in one working day to the client after receiving pay - out request from the client.

**E. 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 shall fulfill all his / its settlement obligations and / or other liabilities to Stock Broker within the time frame stipulated by the Stock Broker or BSE / NSE 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 Stock Broker (hereinafter referred to as "the Agreement") or at law, Stock Broker shall be entitled, in its sole and absolute discretion, to liquidate / close out all or any of the client's open / outstanding position, shell the client's securities (whether approved by Stock Broker or not) available with Stock Broker 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 due to Stock Broker within the stipulated time frame ;

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

The stock broker may, in his absolute and sold discretion, square - off any outstanding position of the client due to any restriction in relation to volume of trading / outstanding business or margins stipulated by the Exchange, clearing corporation / clearing house and /or the stock broker and /or any other extra ordinary event warranting such square off, without prior intimation the client.

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

- To determine the net obligation of a broker / trading member (for securities and funds) in a settlement, clearing house does the netting of trades at the broker level. It is possible that a broker's net obligation towards clearing house may be nil but because of default by one or more clients in satisfying their obligations towards the broker, the broker internally might have shortages in fulfilling its obligation towards the other client(s). In such a situation, Stock Broker shall endeavor to collect the securities from the selling client and deliver it to the purchasing client date. In case the selling client is unable to deliver the securities, then Stock Broker shall attempt to purchase the securities from the market and deliver it to the purchasing client. If Stock Broker is unable to obtain the securities form the market, then following the Exchange rules the transaction will be closed out as per the auction rate prescribed by the Exchange for that scrip and the closing amount will be credited to the purchasing client and same will be debited to the selling client.
- In case of shortage in meeting the settlement obligation, either party shall endeavor to make good such shortage through securities / value of shortage asper the Rules, Regulations and Bye - laws of the respective stock exchange(s).

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

Stock Broker shall have absolute discretion and authority to limit client's volume of business or to close any existing position of a client without giving any prior notice to the client under following conditions : Which is an inclusive set. The Stock broker may apply his discretion in any other Extra ordinary conditions not specified here in below.

- Extreme volatility in the market or in particular scrip or in the F & O segment.
- There is shortfall in the margin deposited by client with Stock Broker.
- There is insider trading restrictions on the client.
- There are any unforeseen adverse market conditions or any natural calamity affecting the operation of the market.
- There are any restrictions imposed by Exchanges or Regulator on the volume of trading outstanding positions of contracts.
- Stock Broker has reached its limit in that scrip.
- The client has breached the client - wise limit.



- Stock Broker has reached its limit in that scrip.
- The client has breached the client - wise limit.
- The client has taken or intends to take new position in a security which is in the banned period.
- Due to abnormal rise or fall in the market, the markets are closed.
- Failure by the client in providing sufficient / adequate margin(s) and / or insufficient / inadequate free credit balance / available in clients' brooking account with Stock Broker.

**H. Temporarily suspending or closing a client's account based on the client's request**

- Any client desirous of temporarily suspending his / her / its trading account has to give such request in writing to the management. After management approval, further dealing in such client's account will be blocked. Whenever trade has to be resumed in any suspended client account, a request in writing should be made by the client to the management and the management ma / ask for updated financial information and other details for reactivating such account. After receiving necessary documents, details, etc. And approval from the management, the client account will be reactivated and transaction will be carried out.
- Similarly, any client desirous of closing his / her / its account permanently is required to inform to the stock broker in writing. The stock broker shall give minimum 30 days' notice before deactivating the client code. Only after scrutinizing compliance requirements and a "no pending queries" confirmation is taken, securities and funds accounts will be settled.

**I. Deregistering a Client**

Stock Broker may, at its sole and absolute discretion, decide to deregister a particular client by giving minimum 30 days' notice. The illustrative circumstances under which Stock Broker may deregister a client are given below :

- SEBI or any other regulatory body has passed an order against such client, prohibiting or suspending such client from participating in the securities market.
- Such client has been indicted by a regulatory body or any government enforcement agency in case of market manipulation or insider trading or any other case involving violation of any law, rule, regulation, guideline or circular governing securities market.
- Such client is suspected of indulging in illegal or criminal activities including fraud or money laundering.
- Such client's name appears in the UN list of prohibited entities or in the SEBI debarred list. Such client's account has been lying dormant for a long time or the client is not traceable.
- Such client has been declared insolvent or any legal proceedings to declare his / her / its as insolvent have been initiated.
- Such client has been irregular in fulfilling obligations towards margin or settlement dues.
- Such client has a tainted reputation and nay business relationship with such clients is likely to tarnish the reputations of Stock Broker or may act as detriment to Stock Broker prospects.
- Under no circumstances, any action taken by Stock Broker in any of the above circumstances till the date of re-registration shall be challenged by the client and Stock Broker shall not be liable to the client for any loss or damage (actual / notional), which may be caused to the client as a result.

**J. Policy for Inactive clients**

- Any client who has not traded in any segment of BSE / NSE with Stock Broker for last 18 months calculated from the beginning of every financial year or such other period as may be decided by Stock Broker at its sole and absolute discretion then such client would be termed as a Dormant / Inactive Client.
- The brooking account of such client shall be deactivated / suspended temporarily by Stock Broker. If the client wants to activate the brooking account then a request for reactivating the brooking account should be sent in writing. Such request for reactivation should be accompanied along with such documentary evidence as may be specified by Stock Broker form time to time.

Client's Signature



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

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