

## DESTIMONEY POLICIES AND PROCEDURES

### **Policies and Procedures for Risk Containment and other Operational & Compliance matters**

The underlying document outlines various policies and procedures Destimoney Securities Private Limited has framed with respect to its dealing with clients for capital market transactions to ensure transparency and facilitate understanding on various aspects related to service delivery. Kindly note that the below stated policies and procedures are subject to change from time to time; depending upon our internal risk management framework, market and external environment; and clients can refer the company's website for the updated documents the changes will be intimated to the client apart from being published on website.

#### **1. Policy for Refusal of orders for penny stocks etc:**

Generally, Destimoney Securities Private Limited (hereinafter referred to as Destimoney or Company interchangeably ) alerts clients to desist from trading in any penny stocks in view of the associated risk element while dealing in such stocks. Further, the client is also required to adhere to Exchange/ Members guidelines and due diligence while trading in such stocks. Also SEBI/Exchange from time to time issues directives necessitating additional due diligence for dealing in such stock(s).

In the view of above Client may please note that the Company may restrict trading in penny stocks/ illiquid Securities and derivatives contracts by the clients at its discretion. Penny Stocks/ Illiquid Securities and derivatives contracts for this purpose shall mean those stocks / contracts which are highly illiquid and have a low market capitalization due to unsound fundamentals or stocks / contracts which have high chances of price manipulations according to Destimoney. The Exchanges from time to time also circulates a list of Illiquid Securities. Destimoney may at its discretion and/or based on directives of the Exchanges also restrict trading in such illiquid securities.

Please note that Destimoney does not permit trade in securities placed in the Z group however company may permit such trades on exceptional basis. Further Intraday trading in securities in the T, TS, BE or such other group as may be notified by Exchanges/ Destimoney from time to time shall be prohibited.

In addition to the penny stocks, restricted securities/ deemed penny stocks, illiquid securities and derivatives contracts specified by Exchanges from time to time Destimoney may at its discretion, prohibit trading in such securities and contracts, which based on market

conditions and internal policies it deems fit for restriction i.e. Destimoney reserves right to disable/restrict trading in such securities or contracts, which it finds suspicious on a case to case basis.

Company may for this purpose, introduce online blocks to prevent clients from placing orders in penny stocks, securities and illiquid contracts through the Online Trading Platform of Destimoney. Dealers/sub brokers of Destimoney may refuse to execute orders of the clients for trading in such stocks, securities and contracts. Further in case the client succeeds in placing order in penny stocks, securities and illiquid contracts through the Online Trading Platform or otherwise, Destimoney may at any time cancel any such order before execution on the Exchanges.

Company shall not be liable for any refusal/cancellation of orders for trading in penny stocks, illiquid securities and illiquid contracts and/or any other security restricted by it. Further Client shall indemnify the Company in respect of any loss caused to the Company by virtue of the Client's trading in any of the above restricted category of securities and contracts.

#### **2. SETTING UP OF CLIENT'S EXPOSURE LIMITS**

Destimoney may for the purpose of risk management set exposure limits subject to which the Client may trade in securities/take positions in the futures and options segment. Such exposure limits may be set upto a pre-determined number of times of the Margin (the "Multiple") and the quantum of the Multiple shall be decided at sole option or discretion of Destimoney. Such multiple may be changed any time at the discretion of Destimoney from client to client depending on various factors which inter alia include factors like market conditions, client profile and financial status of the client.

Client shall abide by the exposure limits, if any, set by Destimoney or by the Exchange or Clearing Corporation or SEBI from time to time.

The exposure limits set by Destimoney do not create any right in favor of Client and can be withdrawn at any time without notice and the Company shall not be liable to client for loss incurred if any, on account of withdrawal of such limits. The client agrees to compensate Destimoney in the event of Destimoney suffering any loss, harm or injury on account of exposure given to and/or withdrawn from the Client.

Exposure may (at the discretion of Destimoney and to the extent decided by Destimoney from time to time) inter alia be provided on the following:

- a) Cash balance in the ledger to the credit of the Client (after deduction of all withdrawals by the Client).
- b) Any Online funds transfer or hold amount through bank gateway.
- c) Beneficiary holdings and collateral holdings (after deduction of applicable hair cuts, hair cut subject to a minimum of 30% haircut or rate as per VAR file whichever is more or such other rate as may be decided by the Company from time to time).
- d) DP free stock and beneficiary stock (after deduction of applicable hair cuts, hair cut subject to a minimum of 30% haircut or rate as per VAR file whichever is more or such other rate as may be decided by Destimoney from time to time).
- e) Credit received against sale of securities, provided securities are not given for Early pay in.

- f) Margin amount of open positions (in case of derivatives)  
In case of sale of Securities, such sale may at the discretion of Destimoney be provided only to the extent of the availability of securities to the account of the client (DP free Stock, DP lien/hold marked securities, beneficiary and collateral stock).

Further as may be decided by Destimoney from time to time, the credit received against sale may be used for further purchases to such extent as may be decided and allowed by Destimoney from time to time. Limits/Exposure provided shall/may vary based on the intraday profit /loss made by the client. All MTM losses are required to be received as payments only and cannot be adjusted

### 3. BROKERAGE RATES

The brokerage would be charged to the clients based on the rates mutually agreed upon from time to time, subject to the ceilings prescribed by the exchanges / SEBI.

### 4. PENALTY/ DELAYED PAYMENT CHARGES

Destimoney may levy late payment charges to the clients who have not cleared their dues towards settlement / margin obligations within the time prescribed by the exchanges from time to time at the rate of 21% p.a. till the dues are cleared. Where Destimoney has accepted securities with appropriate hair cut for margin purpose (in collateral account), but has to deploy its own funds for meeting margin requirements of the client at the Exchange then Destimoney may levy interest or delayed payment charge on the funded margin / debit balance at rate mentioned herein above or as specified from time to time. Further where the stock broker has to pay any fine or bear any punishment from any authority in connection

with / as a consequence of / in relation to any of the orders/ trades/ deals / actions of the client, the same shall be borne by the client. The Company would pay interest @ 12 % per annum for any delay in payment beyond 24 hours of payout request. However, the Company shall not be liable to pay interest to the Client for any delay for any request under protest or for disputed amount or if there is any default in the Client's account.

### 5. RIGHT TO SELL CLIENTS SECURITIES OR CLOSE CLIENTS POSITIONS, WITHOUT GIVING NOTICE TO THE CLIENT ON ACCOUNT OF NON PAYMENT OF DUES. (LIMITED TO SETTLEMENT/MARGIN OBLIGATIONS)

The Client agrees that Destimoney would have the discretion to square off the position of the Client, with no obligation of communicating the same to the Client, in following circumstances:

- a) In case of intra-day Margin Trades, if the open position is neither squared off nor converted to Delivery by Client(s) by 3:10 pm. .
- b) In case of Margin Trades, where Mark to Market loss on the open position has reached the stipulated percent (as per the risk policy available on the company's website )of the margins placed with Destimoney and the client(s) have not taken any steps to replenish the margin or reduce Mark to Market Loss.
- c) In all other cases where the margin or security placed by the Client(s) falls short of the requirement or the limits given to the Client(s) have been breached .
- d) Where the Client(s) have defaulted on their existing obligation/ failed to make payments/deliver securities to Destimoney within the stipulated time .

The Client accepts to comply with Destimoney's requirement of payment of Margin/settlement obligations of the Client, immediately, failing which DESTIMONEY may sell, dispose, transfer or deal in any other manner the securities already placed with it as Margin/lying in the beneficiary account of Destimoney and/or demat account of client with Destimoney (operated under POA by Destimoney)or square-off all or some of the outstanding F&O positions of the Client as it deems fit at its sole discretion without further reference to the Client and any resultant or associated losses that may occur due to such square -off/sale shall be borne by the Client and Destimoney shall be fully indemnified and held harmless by the Client in this behalf at all times.

Any reference in these terms to sale or transfer of securities by Destimoney shall be deemed to include

sale of securities which form part of the Margin maintained by the Client with Destimoney.

In exercise of Destimoney's right to sell securities, the Client agrees that the choice of specific securities to be sold shall be solely at Destimoney's discretion without any reference to client.

Such liquidation or close out of positions shall apply to any segment/ exchange in which the Client does business with Destimoney.

The provisions specified herein do not confer any liability on Destimoney to square off the clients positions. It shall be the responsibility of the client to pay to Destimoney any due payable to Destimoney irrespective of whether Destimoney exercises its right to square off the positions of the client in accordance with the provisions given herein above. Further, as mentioned above Client shall be liable to pay delayed interest on the outstanding amount.

Destimoney reserves the right to set the threshold limits for liquidation of client's positions, available securities. Such threshold limits will be communicated periodically from time to time orally, and /or through emails, written correspondences, or through its trading terminals, branch representative, website etc. However, in the event of extreme volatility and/or client's open (outstanding) position resulting in mark to market losses beyond Destimoney thresholds any time during a trading session, and /or clients positions or collateral being not saleable, thereby forcing Destimoney to liquidate any of the client's available positions and collateral, same shall be done by Destimoney during the course of a trading session without recourse to the client.

## 6. SHORTAGES IN OBLIGATIONS ARISING OUT OF NETTING

If the client defaults on its existing obligation and in the event the trade has been internally netted off by Destimoney, Destimoney shall have the right to square off the position of the client to make good the shortages arising thereof. Destimoney shall not be responsible for losses to the Client on account of such square off. All losses to the Client on this account shall be borne solely by the Client and the Client shall indemnify Destimoney in this respect. Destimoney follows the close out policy for all internal shortages. The process is defined below:

### 1. For internal shortage, the auction closeout policy is as follows:

T+2 closing rate of that scrip + 10% OR Highest Transaction rate of clients traded through \*XXX\* for that scrip between T to T+2 day. **From the both conditions,**

**whichever is higher is charged to the client.**

### Working Note:

- T+2(i.e. 22-Jan-2011) closing rate of McLeod Russel India Ltd = Rs. 134.05; 10% of closing rate = Rs. 13.41. Hence, Closeout rate = Rs. 134.05 + Rs. 13.41 = Rs. **147.46.**

And,

- Highest Transaction rate of clients traded through \*XXX\* for that scrip between T (i.e. 20-Jan-2011) to T+2 (i.e.22-Jan-2011) was **Rs. 160.35**(that was on 21-Jan-2011)

From the above two conditions the highest rate is Rs. 160.35.

### 2. Exchange (Market) auction closeout policy is as follows :

At the highest price prevailing in the NSE from the first day of the relevant trading period till the day of closing out or 20% above the official closing price on the auction day.

**From the both conditions, whichever is higher is charged to the broker.**

Hence, closeout rate calculated by the exchange for that client would have been calculated as **Rs. 171.54.**

### Working Note:

- As per first condition:

20 Jan 11	T	Rs. 147.75
21 Jan 11	T+1	Rs. 171.54
22 Jan 11	T+2	Rs. 134.05

Hence, Closeout rate would have been Rs. 171.54.

And,

- As per second condition:

T+2 day closing price = Rs. 134.05; 20% of closing rate = Rs. 26.81; Hence, Closeout rate = Rs. 134.05 + Rs. 26.81 = Rs. 160.86/-. From the above two conditions the highest rate is **Rs. 171.54.**

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

Destimoney shall have the right to refuse to execute trades/allow the client to take further positions in the following circumstances:

- Technical failure.
- Securities breaching the limits specified by the Exchanges/regulators from time to time.
- Securities submitted in physical form for settlement.
- Regulatory restrictions/directives.
- Outstanding dues not cleared.

- f) Shortfall/breach of threshold limits as per Risk Policy prevalent from time to time.
- g) Any suspicious trading patterns observed by Risk/ Surveillance Dept.
- h) Other conditions as specified by Destimoney from time to time in view of market conditions, regulatory requirements, internal policies etc.

Destimoney shall also have a right to close existing positions of the clients in the abovementioned circumstances and Destimoney shall not be responsible for any loss incurred by the Client due to any of aforesaid conditions of refusal or closure of positions and the client shall keep Destimoney indemnified at all points of time in this regard.

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

Based on a written request of the client for any reason including but not limited to gravity of the grievances raised by/against the client. Trades in the account of the client during the period of such temporary suspension shall not be permitted. The account shall be reactivated on submission of a written request for reactivation by the client.

**9. DEREGISTRATION OF A CLIENT**

Deregistration/Termination of the client may be with mutual consent of the parties or by giving notice as per the Rights & Obligations entered into between the client and Destimoney. Such deregistration / termination shall not effect the rights and liabilities of the parties in respect of the transactions executed before the date of such deregistration/termination.

Destimoney may at any time, at its sole discretion and without prior notice to the Client, prohibit or restrict or block the Client's access to the use of the web site or related services and the Client's ability to trade due to regulatory requirements, prevention of money laundering regulations, market conditions and other internal policies.

Further Destimoney may Freeze the Client Account in following Scenario:

- a) Non submission of important documents for verification.
- b) On account of any regulatory orders issued against the client.

- c) On account of any legal strictures passed against the client.

The account shall be reactivated under the following circumstances:

- a) On the vacation of regulatory/legal orders against the client.
- b) Submission of all important documents required for verification.
- c) Fresh submission of all KYC documents required for registration

In addition, Destimoney may interalia terminate/freeze trading facilities due to regulatory requirements and to comply with provisions of Prevention of Money Laundering Regulations or due to suspicious activities observed by surveillance department or due to internal risk perception. Such Clients may be re-admitted on submission of fresh KYCs and supporting documents/ explanation resolving the earlier observations for de-registering.

**10. Dormant Account Policy**


Client account will be considered as inactive if the Client does not trade for a period of twenty four months. Calculation will be done at the beginning of every month and those Clients who have not traded even a single time during last twelve months will be considered as inactive. The shares/credit ledger balance if any will be transferred to the Client within one month of the identifying the Client as inactive. The Client has to make written request for reactivation of their account.

**Client Acceptance of Policies and Procedures stated hereinabove:**

I/We hereby state that I/we have understood the above and do hereby sign the same in acknowledgement and agree. These Policies and Procedures may be amended/changed unilaterally by Destimoney, provided the change is informed to me/us with through any one or more means or methods in writing. These Policies and Procedures shall always be read along with the rights and obligations of stock brokers, sub-brokers and clients as prescribed by SEBI / Exchanges and shall be compulsorily referred to while deciding any dispute/ difference or claim between me/us and Destimoney before any court of law/judicial/ adjudicating authority including arbitrator /mediator etc.

Date: DD|MM|YY|YY

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

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Signature of the Client: