

# KUNVARJI FINSTOCK PVT. LTD.

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## **POLICIES AND PROCEDURES**

This document contains policies and procedures defined/ devised and followed by Kunvarji Finstock Pvt. Ltd. ('KFPL' or 'Broker') which it applies or adopts while providing services as a stock broker on National Stock Exchange of India Ltd. ('NSE'), Bombay Stock Exchange Ltd. ('BSE'), MCX Stock Exchange Ltd. ('MCX-SX') and United Stock Exchange of India Ltd. ('USE') (collectively herein after referred to as 'the Exchanges') to its clients. The purpose of the document is to communicate these policies and procedures to clients of KFPL.

The policies and procedures stated herein below are subject to change from time to time at the sole discretion of KFPL, depending on market conditions, requirements prescribed by Exchanges, Regulators or any other Government Authority, its risk management framework etc.

KFPL shall endeavor to keep its clients updated about such changes through regular and timely display of updated documents on its website and through direct/indirect communications to clients to the extent possible. The client may, if he or she so wishes, obtain an updated copy of this document by specifically requesting any of the offices of KFPL in writing.

Although while preparing and updating this document, sufficient care has been taken to cover all important aspects and parameters pertaining to delivery of service, method of such delivery, restrictions and leverages etc., KFPL does not warrant that this document contains all the information about policies and procedures prescribed or practiced by KFPL; nor does it claim that all important aspects and parameters have been covered in this document. The document is intended to generally provide comprehensive information to clients about issues and matters presently envisaged. Neither this document nor any of the clauses or its interpretation should be taken as basis for guidance on matters not covered in this document.

### **1. REFUSAL OF ORDERS:**

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

KFPL may refuse to accept orders for execution of trade by a registered client under the following circumstances:

- a If KFPL forms an opinion that the order is not placed with a genuine trading or investment objective.
- b If KFPL forms an opinion that there is exceptional volatility in the market in general or in market for that particular scrip and execution of trade under such situation may expose it to very high risk.
- c If KFPL forms an opinion that the price of the scrip does not reflect its fundamentals for market factors and the same is the result of market manipulation orchestrated or perpetrated by unknown entities.
- d While accepting an order for illiquid scrips, scrips traded in trade to trade segment or belonging to Z Group or any such scrip for which either the Regulator or the Exchange have raised caution flag in any manner whatsoever, KFPL shall make such inquiries as it may deem fit and shall undertake such review of the financials of the Company or its trading pattern as it may find necessary, and may accept or reject such order based on its assessment. Apart from Stock Exchanges and Regulator identifying illiquid scrips, KFPL may have its own criteria in deciding whether scrip is illiquid or not.
- e "Penny stocks" is a term to refer to such stocks which are quoted at a very small fraction of their face value and is also used to refer to stocks which are quoted below Rs. 1/-. The policy relating to refusal of orders stated herein above is also applicable to such stocks as they would be normally be either in illiquid stocks or stocks without reasonable fundamentals.
- f KFPL does not allow clients to trade in illiquid derivative contracts. The measure of liquidity changes from time to time and from underlying to underlying.
- g Trading in securities of the types enumerated above will be allowed to the client at the sole and absolute discretion of KFPL. Such securities may be blocked in a normal trading system and any dealings in such securities will be allowed only on the approval of risk management department as it may deem fit. KFPL may restrict the quantity of order of such securities if the client is allowed to buy/sell. KFPL may further insist upto 100% advance pay in of funds/ securities before accepting orders in such securities.

- h Trading in securities market take place on screen based online computerized trading environment which is dependent on efficient functioning of network equipments, computers and softwares. In the event of malfunction or problem in any of these ingredients, KFPL may not be able to place client's order in such circumstances. Such inability on the part of KFPL may result in loss of opportunity or notional loss to the client as prices may have moved during the time taken in resolving the technical issues which may have resulted in non execution of order. Such risk is inherent systemic risk. KFPL shall not be responsible for such opportunity loss or notional loss and shall not reimburse the client for such amount.
- i KFPL has to maintain margin deposits with the Exchange and the same is monitored by Exchange on real time basis. margin rates are based on parameters defined by Exchanges and SEBI. These parameters may change during the course of the day on account of volatility and price movements. In the event of change of values of some of the parameters, applicable margin rates may change one or more times during the day. Exchanges disable trading terminal of those brokers who might have fully utilized to the extent of 100% of their deposits. This situation may arise on account of change in the margin rates or sudden surge in clients' orders resulting in deposits being exhausted. Under such circumstances, KFPL may not be able to accept fresh orders from client on account of its inability to execute the same. This may result in loss of opportunity or notional loss to the client as prices may have moved during the time taken in resolving the operational issues which may have resulted in non execution of order. Such risk is operational risk inherent to trading in securities market. KFPL shall not be responsible for such opportunity loss or notional loss and shall not reimburse the client for such amount.

## **2. POLICY RELATING TO SETTING UP OF CLIENT'S EXPOSURE LIMIT:**

KFPL provides broking services to its clients for transactions on various Stock Exchanges and the Stock Exchanges have different segments e.g. cash market or capital market segment, equity derivatives segment or equity F&O segment, currency derivatives segment etc. Each segment deals in different products having different risk profiles and settlement attributes. Many segments may be added in future by different Stock Exchanges depending on different product development. Transactions on Stock Exchanges are executed on electronic platform and clients are serviced from network of dealing offices spread over various locations, cities, towns and states. Many clients are also provided facility to transmit their orders through internet without human intervention. KFPL uses different order routing solutions for broadcast of live prices to its dealing offices and to clients using internet for their order execution. The orders are transmitted to central server site through electronic communication medium using such order routing solutions. The orders are validated at central server and valid orders are transmitted to respective Exchanges electronically. Thus, once the order is punched through the routing solution, the process till transmission to Exchange trading platform is handled through computers electronically without human intervention. Such environment requires that KFPL has predefined policies for setting exposure limits for its clients. The securities markets are usually very volatile and different clients have different risk profiles. Volatility amongst different scrips and different derivatives contracts are different. Business Rules, Bye laws and Regulations of the Exchanges require Brokers including KFPL to obtain upfront margin from clients. All these factors taken together create a challenging environment where KFPL, apart from setting allowable trading limits for different clients differently, has to often modify or change such trading limits several times during the day if situation so demands.

The trading limit setting policies enumerated below are to be taken as basis for understanding policies implemented by KFPL and the same may not be rigidly followed and may be changed from time to time on account of factors stated above. The averments contained in these statements are not promises made by KFPL to its clients and they do not confer any rights to clients to demand that there trading limits at all times will be set according to these policies.

- a Exposure limits to the client will be provided based on the available margin in the client's broking account maintained with KFPL exposure limits for its clients. The securities markets are usually very volatile and different clients have different risk profiles. Volatility amongst different scrips and different derivatives contracts are different. Business Rules, Bye laws and Regulations of the Exchanges require Brokers including KFPL to obtain upfront margin from clients. All these factors taken together create a challenging environment where KFPL, apart from setting allowable trading limits for different clients differently, has to often modify or change such trading limits several times during the day if situation so demands.

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- b The exposure limits will be a certain multiple of the available margin. Such multiplier will be as decided by KFPL from time to time and may vary from client to client,.

- c On a case-to-case basis KFPL, as its sole and absolute discretion, may allow higher exposure limits to the client.
- d In case of cash segment, KFPL 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 KFPL. On a case-to-case basis KFPL may, at its sole and absolute discretion, give higher clean exposure limits to certain set of the clients. KFPL reserves the right to withdraw clean exposure limit granted to the client at any point of time at its sole and absolute discretion. The client cannot raise any concern/dispute for the same.  
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- e Available margin for the purpose of granting exposure is calculated as a sum of free credit balance of the client in KFPL's books, margin in the form of funds, securities, bank fixed deposit, bank guarantee, etc. of the client available with KFPL, and the value of securities held in the client's demat account for which power of attorney is granted in favour of KFPL.
- f The choice of the securities to be considered as margin shall be determined by KFPL at its sole discretion from time to time and the client shall abide by the same.
- g While granting the exposure limit, margin in the form of securities will be valued as per the latest available closing price on NSE or BSE after applying appropriate haircut as may be decided by KFPL at its sole discretion.
- h KFPL 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 KFPL may deem appropriate.
- i The Client will have to abide by the exposure limit set by KFPL.

### 3. APPLICABLE BROKERAGE RATES:

- a KFPL charges brokerage to its clients at rates not exceeding the maximum chargeable as prescribed by exchanges/SEBI, which is at present 2.5% of the value of the transaction. The actual brokerage rates chargeable to a client will be as per the terms agreed with the client at the time of client registration. KFPL may charge brokerage on option contracts expiring worthless and option contracts exercised/assigned. In case of low value securities, KFPL may prescribe minimum brokerage per share which may exceed 2.5% of the value of the transaction subject to a maximum of Rs. 0.25 per share.
- b KFPL charges minimum Rs. 25/- per contract note issued in case of brokerage chargeable on cash market transactions. This minimum limit may be revised upward depending on regulatory dispensations and cost environment. KFPL may waive off minimum contract charges for certain clients at its sole discretion.
- c In respect of low value option contracts, KFPL charges a minimum brokerage of Rs. 50/- per contract traded. KFPL does charge lower brokerage to selected clients based on their trading volumes.
- d KFPL may device different schemes of brokerage based on market demand and dynamics, which may operate on parameters other than value of transaction. A client opting for such scheme may find effective brokerage rates much higher than value based brokerage offered to him, if he does not meet with the volume and other criteria defined as part and parcel of the relevant scheme.
- e The brokerage rate may be varied in future as agreed between the client and KFPL either in writing or orally from time to time. In case of oral agreement, if the brokerage is charged at such revised rate in contract note subsequent to revision and the client does not raise any dispute on such brokerage within the time period stipulated on the contract note then the same will be considered as consented by the client.  
The brokerage rate at no point of time will exceed the rates as may be specified by the Exchanges/SEBI from time to time.
- f 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.
  - Any another charges towards customized/ specialized service

#### **4. IMPOSITION OF PENALTY/ DELAYED PAYMENT CHARGES BY EITHER PARTY**

##### IMPOSITION OF PENALTY:

The Exchange/ Clearing corporation/ SEBI levies penalties on the broker for irregularities observed by them during the course of business. KFPL shall recover such imposed penalties/ levies, if any, by the Exchange/Regulatory, from such clients on account of whose dealings such penalties/levies have been imposed. Few of the examples of violations for which penalties may be levied are as under:

- a Auction of securities pursuant to short deliveries by the client.
- b Non adherence to client level exposure limits in cash, F&O and currency segments.
- c Short margin reporting in any segment as may be stipulated by the respective Exchange.
- d Any other reason 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 in client ledger account.

##### A BY KFPL ON ITS CLIENTS:

- 1 KFPL may levy penalty/delayed payment charges from clients who have delayed payment against settlement obligation or margin obligation at the rate of 18% per annum. KFPL may waive these charges for such clients if it is satisfied that the respective client has not willfully delayed payment.
- 2 Levy of such charges and payment thereof by client does not amount to KFPL agreeing to fund the settlement obligations or margin obligations of the client. The penalty/delayed payment charges are being imposed to ensure that the clients pay money towards their obligations on time.
- 3 The client shall have an obligation to make payment of such penalty/ delayed payment charges upon KFPL debiting the amount in the respective client's ledger account by journal entry and by communication of the same to the client by way of sending statement of account either in hard copy or by email.

##### B BY CLIENTS ON KFPL:

- 1 In respect of clients who have instructed KFPL to maintain running account: Such clients shall be entitled to claim interest/delayed payment charges from KFPL upon satisfaction of the following conditions:
  - (a) The client has submitted written request for pay out of his funds subject to the same being equal to or less than his clear unencumbered credit balance in his client account for respective segment. The term clear unencumbered credit balance shall have the same meaning as stated in clause 2(A) (2) herein above.
  - (b) KFPL fails to pay the dues to the client as per his request as stated in (a) above within such time as may have been stipulated by the client in his "Running account authorization letter" issued to KFPL. In the event of KFPL opting to make payment by cheque or demand draft, allowance shall be made for time reasonably taken in cheque or demand draft reaching the dealing office from where the client's account is being serviced or at the registered address of the client by courier or by post. In respect of electronic payment through fund transfer facility provided by Banks, allowance shall be made for the time taken by Banks in processing such electronic fund transfer request.
  - (c) While computing delay in payment, allowance shall be made for bank holiday in Gujarat state, bank holiday in state where Head Office of bankers of KFPL is situated, any law and order problem or natural disaster in any of these states or in areas from where KFPL undertakes its operations, or major break down or disruption in electronic systems including computers, connectivity which KFPL and its Banks are using to process payment etc.
  - (d) Such interest shall be payable to client upon the client raising his claim for the same with evidence of submission of request and computation of claim. Such interest shall be payable at the rate of 18% per annum.
- 2 In respect of clients who have not instructed KFPL to maintain their account on "running account basis".
  - (a) Such clients shall be required to claim their dues by intimation to KFPL on the payout day at the respective dealing office of KFPL from where their account is being serviced.
  - (b) KFPL shall pay such amount by sending cheque within one clear working day from the date of receipt of such request to the dealing office from where the client's account is serviced. KFPL may make payment by initiating electronic fund transfer for direct credit to designated bank account of the client within 1 working day from the date of receipt of such request. In the event of KFPL opting to make payment by cheque or demand draft, allowance shall be made for time reasonably taken in cheque or

demand draft reaching the dealing office from where the client's account is being serviced or at the registered address of the client by courier or by post. In respect of electronic payment through fund transfer facility provided by Banks, allowance shall be made for the time taken by Banks in processing such electronic fund transfer request.

- (c) Allowance shall be made for bank holiday in Gujarat state, bank holiday in state where Head Office of bankers of KFPL is situated, any law and order problem or natural disaster in any of these states or in areas from where KFPL undertakes its operations, or major break down or disruption in electronic systems including computers, connectivity which KFPL and its Banks are using to process payment etc.
- (d) In the event of the client concluding that KFPL has delayed payment, he shall raise his claim in writing to the Head Office of KFPL along with the evidence of his having demanded payment from the dealing office from where his account is being serviced and the details of computation of delay in accordance with the above clauses and delayed payment charges at the rate of 18% per annum.

## **5. KFPL'S RIGHT TO CLOSE OUT CLIENT'S POSITIONS AND TO SELL CLIENTS SECURITIES WITHOUT NOTICE**

KFPL requests the prospective clients to refer to MEMBER CLIENT AGREEMENT and RISK DISCLOSURE DOCUMENT wherein Broker's rights to sell securities purchased by the client and to close out open positions of the client are adequately defined. For the sake of clarity, the circumstances and procedures relating to such close out or sale of securities are explained below.

### **1 CASH MARKET SEGMENT OR CAPITAL MARKET SEGMENT**

- a KFPL is subject to upfront margin requirements by stock exchanges in Cash Segment. Positions in cash market are marked to market usually at the end of the day and marked to market losses arising on client's open position at the end of the day is required to be funded by KFPL. In exceptional circumstances, stock exchange may require KFPL to deposit such additional margins in cash as it may find necessary. KFPL may levy margins on the clients at such rates and of such amount as it may find prudent based on risk profile and other factors. KFPL may demand additional margins to cover additional volatility or marked to market losses or open positions from the clients. KFPL may prescribe margin requirements at the time of client registration or may intimate it or change it at the time of placement of order or any time thereafter. In the event of client not fulfilling such margin requirements, KFPL may sell off securities deposited by the client as margin, securities held by KFPL on behalf of the client either in its pool account or beneficiary account or may square off open positions of the client.
- b KFPL shall undertake such selling of securities or squaring off of open positions, to the extent required,
  - (1) to ensure that client has balance in this ledger account to such extent as would be required to maintain balance open positions of the client after such squaring off.
  - (2) In the event of non payment of dues by client, to the extent required to recover debit balances in any segment in ledger account of the client
- c KFPL shall not be under obligation to give any prior written or oral notice or intimation to the client. Non payment of dues or non compliance with margin obligation will entitle KFPL to effect squaring off as stated herein above. Any written or verbal notice or intimation given by KFPL at any time earlier or for any client shall not be construed as having established procedure of such prior notice or intimation.

### **2. DERIVATIVES SEGMENT**

- a The existing margining systems and Exchange Regulations require that KFPL collect upfront margin from its customers; and Exchanges require margin deposits in the form and manner prescribed which is monitored online by the Exchanges on post trade basis. KFPL is also required to upload daily the details of margin required to be collected from each client having open position and margin collected from each of such client. Shortages in collection would amount to non compliance with Exchange Regulations and may result in penalties and even suspension of trading. Exchanges levy margins computed on VAR parameters defined by Regulators and are computed in such way so as to meet value at risk in 99% of the cases. The parameters for margin calculation are reworked several times during the day depending on volatility and margin rates therefore may change several times intraday and at the end of the day. KFPL is entitled and may levy additional margin on client's positions selectively or generally depending on its own perception about adequacy of Exchange defined margins. Credit balances available in client's ledger account is first appropriated against debit for MTM settlement and balance available together with collaterals if any deposited by the client, valued as per defined norms should be sufficient to meet applicable margin requirement at the commencement of trading on the next day. Any shortages will have to be made good by clients before commencement of trading.

- b In the event of client not meeting margin obligations as applicable, KFPL may square off its outstanding positions and sell off collaterals, to the extent required, without prior written or oral notice or intimation to the client, to ensure that the open positions of the client is backed by sufficient margin.

KFPL may not exercise its rights of squaring off or realising collaterals in all cases at all times. This may happen due to client making promise of payment or deposit of collaterals in due course, which KFPL may rely upon. Non exercise of its rights by KFPL should not be construed as allowing client the right to keep open positions without sufficient margin.

## **6. SHORTAGES IN DELIVERY OBLIGATIONS ARISING OUT OF INTERNAL NETTING OF TRADES**

Stock Exchanges compute delivery obligations of the brokers after netting off all the positions of all clients for each scrip. If on net basis, the total position of the broker for scrip is sale, he is required to deliver such net quantity of shares of that scrip to Stock Exchange before pay in. If on net basis, the total position of the broker for scrip is purchase, Stock Exchange delivers such net quantity of shares of that scrip to the broker on successful completion of pay in, at the time of pay out. This may result in sale position of one client being netted off against purchase position of another client in the same scrip requiring settlement of delivery obligations within the office of the broker. In such event, if the selling client fails to honour his settlement obligation, the buyer client may end up not receiving securities against his purchase or he may receive lesser no. of shares than his purchase quantity of shares. Since the obligation against Exchange is non existent, the usual auction mechanism established by the Stock Exchange may not be available in such scenario. Stock brokers are required to frame procedures for dealing with such internal shortage which are fair and transparent.

KFPL has framed and implemented following policy for settling of the transaction, which remains unsettled due to Internal Shortages.

The transaction, which remains unsettled due to Internal Shortages of Securities, shall be closed out and settled amongst the buyer and seller as under:

- a The internal shortage quantity of shares will be deemed to have been squared off amongst the short deliverer and the purchaser at the auction rate of that scrip available from exchange trading system of the 'relevant day' ('relevant day' defined as the day on which the scrip would have been auctioned, had the obligation been against the exchange and not netted off within office of KFPL).
- b In the event of there being no auction of that particular scrip on the 'relevant day' or auction rate not being available for any reason whatsoever, the internal shortage quantity of shares will be deemed to have been squared off amongst the short deliverer and the purchaser at the highest of the following:
  - (i) Highest price on any day from the date of trade till the 'relevant day'.
  - (ii) Price at which the purchaser counter party has bought the shares on the trading day.

Accordingly, if the seller fails to give the delivery of securities sold by him which if resulted into Internal Shortage, the seller client will be debited for the transaction at the rates prescribed above. Similarly, if KFPL is unable to give the delivery of securities bought by the buyer due to the Internal Shortage, the buyer client will receive the credit for the transaction at the rates prescribed above.

## **7. CONDITIONS UNDER WHICH A CLIENT IS NOT ALLOWED TO TAKE FURTHER POSITIONS OR KFPL MAY CLOSE OUT EXISTING POSITIONS OF THE CLIENT**

KFPL may not allow client to take further positions or may close out existing positions of client under following circumstances:

- a If the client has failed to meet his margin or settlement obligation as explained in para 5 above.
- b In the event of KFPL taking a view that there is likely to be huge volatility in the market and KFPL may have prescribed that client wishing to trade further must deposit required amount of additional margin upfront, in the event of the client not fulfilling such conditions, KFPL may refuse to accept further orders from the client.
- c If KFPL believes that the order placed by the client is not on account of genuine trading or investment objective, KFPL may refuse to allow the client to take further positions.
- d If the client fails to furnish documents/ informations as may be called for by KFPL from time to time as per regulatory requirements and/or as per its internal policy.
- e Any ban imposed on the client by any regulatory authority.
- f 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 such debarred entity resembles with the information pertaining to the client

and it is not possible to arrive at a view that the client and the debarred entity bearing the same name and other details are two different entities.

- g Depending on the market circumstances, if KFPL is of the view that the positions of the client are at risk, KFPL may close the existing position of the clients without waiting for the pay in schedule of the Exchanges.

KFPL may take actions under this policy with or without giving any notice or intimation to the client. KFPL will not be responsible for any opportunity loss or actual loss to the client in the event of any action taken by it pursuant to this policy.

## **8. TEMPORARY SUSPENSION OF CLIENT ACCOUNT AT CLIENT'S REQUEST**

If a client does not want to trade either for a limited period or for indefinite period, he may inform KFPL in writing of his intentions not to trade for a limited period or for indefinite time, as the case may be. Upon receipt of such request, KFPL, after making such verification as it may find necessary, shall suspend the client's trading account for such limited period or for indefinite time, as requested by the client.

If a client whose trading account has been temporarily suspended wishes to reactivate the same, the client will have to forward written request for reactivation to the registered office of KFPL.

## **9. DEREGISTRATION OF THE CLIENT**

Without prejudice to KFPL's rights and remedies available under the Agreement, KFPL may forthwith, at its sole and absolute discretion, de-register the client with/without prior notice/intimation in the following circumstances:

- a If the client makes request for deregistration in writing.
- b If KFPL is satisfied and believes that the client is not interested in executing transactions through KFPL.
- c If the client is not maintaining his account as per the requirements and KFPL wishes to sever the relationship with the client after giving such due notice as stipulated in Member Client Agreement.
- d 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 prices, etc.
- e Any enquiry/investigation initiated by the Exchanges/regulators against the client;
- f Any regulatory action taken/initiated against the client by the Exchange/regulators including but not limited to debarring the client from accessing the capital market;
- g 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);
- h Name of the client appears in database/websites of CIBIL, Watch Out Investors, World Check, etc.;
- i The client having suspicious back ground or link with suspicious organization;
- j Where the client is non-traceable, has pending disputes with KFPL, possibility of a default by the client;
- k Any other circumstances leading to a breach of confidence in the client for reasons like return of undelivered couriers citing reason 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 KFPL from time to time, etc;
- l Upon receipt of written information about the death of the client;
- m Such other circumstances which in the sole opinion of KFPL warrants to de-register the client.

In all such cases, KFPL 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 der-registering the client. Any action taken by KFPL in terms of this policy shall damage (actual/notional), which may be caused to the client as a result. Also while de-registering the client, KFPL may retain certain amount/securities due/belonging to the client for meeting any future losses, liability, penalties, etc. arising out of dealing of the client with KFPL. In case if any securities retained by KFPL is sold/liquidated to recover any such losses, liability, penalties, etc., KFPL shall have the sole authority to decide the mode, manner 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 KFPL.

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 KFPL may reconsider its decision of de-registering the client. However in no circumstances any action taken by KFPL till the date of re-registration shall be challenged by the client and KFPL shall not be liable to the client for any loss or damage (actual/notional), which may be caused to the client as a result.

## 10. POLICY REGARDING TREATMENT OF INACTIVE CLIENTS

If a client has not executed any trade in any segment for which the client is registered since last 12 months, he/she/it shall be considered as an inactive client. Orders for such client shall be accepted and executed only after due verification about genuineness of the order and that the order has, in fact, placed by such client.

The assets of the inactive client shall be returned to the client at the end of the quarter in which the client's account has been identified as inactive based on his/her/its activity over last 12 months.

## 11. CLIENT CODE MODIFICATION POLICY

KFPL allows execution of client orders through punching in of such orders through CTCL TWS provided to all the dealing offices. The orders of the clients are punched by the dealer allocated to the client in such CTCL TWS along with the client code allotted to the respective client. Since the orders are communicated either on phone or by verbal communication, there are chances of communication or interpretation of incorrect client code resulting in order being punched in with incorrect client code. KFPL has formulated policies for correction of such errors including typographical errors committed by dealers appointed by KFPL or its sub brokers and authorised participants, in accordance with SEBI Circular No. CIR/DNPD/6/2011 dated 05.07.2011 and guidelines issued by Exchanges in this behalf.

- a Code modification shall be carried out using functionality provided by the trading system of the respective Exchange only and within time prescribed. Code modification after the prescribed time limit through code modification in back office shall not be done.
- b In case of mistake in communication by the client resulting in order entry with incorrect or wrong code, the order shall be transferred to 'Error Account' of KFPL designated in this behalf and the position arising out of such order having been traded shall be squared off in open market as early as possible. Any loss or profit arising out of liquidation of such position transferred to 'Error Account' of KFPL shall be transferred to the respective client's ledger account.
- c In respect of order entry with incorrect client code due to typographical error of the dealer of KFPL, such order shall be transferred to 'Error Account' of KFPL and the position arising out of such order having been traded shall be squared off in open market as early as possible. Fresh order with correct client code shall be punched in the TWS. Any loss or profit arising out of liquidation of such position transferred to 'Error Account' of KFPL and price difference between the original order and the new order shall be borne by KFPL.
- d Any other instances of error in any other attributes of order of the client shall also be dealt with by transferring the respective order to 'Error Account' of KFPL, and the positions arising out of such orders shall be squared off at the earliest. The profits or losses arising out of such orders shall be borne by the client if the error has been committed by the client and shall be borne by KFPL if the same is committed by the dealer of KFPL.
- e In respect of any modification of code resulting in transfer of order from one client code to another client code, the same shall be permitted on insistence of the client only subject to
  - (1) Error due to communication and/or punching or typing such that the original client code/name and the modified client code/name are similar to each other.
  - (2) Modification within relatives ('Relative' for this purpose would mean 'Relative' as defined under the Companies Act 1956)
  - (3) Such code modification shall be subject to penalty which will be prescribed percentage of the order value in respect of which the client code has been modified. The client shall bear such penalty.

### GENERAL:

KFPL 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 binding on the client forthwith.

Any action taken by KFPL in accordance with the policies and procedures mentioned herein above cannot be challenged by the client, and KFPL shall not be liable to the client for any loss or damage (actual/notional) which may be caused to the client as a result.