

POLICY AND PROCEDURES

Sharekhan as a SEBI registered intermediary is mandated to follow the rules, regulations, circulars of the exchanges and SEBI issued from time and operates through well defined procedures and policies. The following policies have been mandated by SEBI to be made available to the clients. It should not be construed that these are the only policies followed by Sharekhan.

A. Refusal of orders for Penny Stocks

Penny stocks are scrips which have a very low value and may or may not be illiquid. Most times there would be very few buyers /sellers for such scrips. The exchange (NSE & BSE) releases a list of such scrips and they are termed as illiquid securities. Sharekhan retains the right to term a particular scrip as illiquid/penny stock based on the parameters it deems fit. These parameters may include, the past volume of the scrip, the volatility in the scrip among others, whether trading in a particular scrip falls within the purview of fraudulent trades or trades deemed to be fraudulent under the SEBI - prohibition of fraudulent and unfair trade practices relating to securities market regulation 2003.

Sharekhan reserves the right to facilitate clients for placing orders with regards to the penny stocks or illiquid scrips as described above. Sharekhan is not under any obligation to push orders which are in the nature of penny stocks/ illiquid scrips. Sharekhan does not encourage trades in penny stock. Sharekhan may permit trades in a penny or illiquid scrip subject to certain conditions, such conditions may include

- Submission of a declaration, by the client, such declaration would include the reasons for entering into the said transaction and also whether the client has abided by the all the relevant regulations.
- In case of a buy transaction the client may be asked to deposit the full value of scrip which the clients intends to purchase, in case of sale transaction, the scrip will necessarily be transferred to pool account prior to placing the sale order at discretion of Sharekhan Ltd. The client hereby authorizes Sharekhan to pledge the scrip with the respective Clearing Corporation.
- Assessment of the past trading pattern or records of the client prior to giving permission.
- Conducting in person verification of the said client to establish the genuineness of the intended trade.

Sharekhan reserves the right to refuse to place such orders whether or not the client fulfills the aforementioned conditions.

B. Setting up Client's exposure Limits

Exposure is allowed to the clients based on the margin available in form of funds or approved securities valued after deducting an appropriate haircut. Client is liable to pay applicable initial margins, withholding margins, special margins, delivery margin or such other margins as are considered necessary by the Exchange. Margin would be applicable on Buy and Sell trades.

Further Sharekhan at its discretion may collect such additional margin or may further reduce the margin subject to extant regulations. Clients are supposed to maintain sufficient balance with Sharekhan pre trade depending on the channel through which they trade. Sharekhan may levy additional margins or relax the margins earlier imposed based on factors such as, client level positions, volatility in a particular stock/commodity or the market in general. Though it shall be our endeavor to ensure that a proper notice is sent to the clients, this may not always be possible taking into consideration the market scenario. Exposure allowed to clients may vary, basis the clients past trading performance, quality of collateral, market circumstances and dynamics and other such factors. In case the client is providing collateral in the form of approved securities as margin, a margin pledge shall be initiated by the client in favour of Sharekhan through physical or electronic instruction mechanism provided by the Depositories. Where the client has given Power of Attorney in favour of Sharekhan, the margin pledge shall be initiated by Sharekhan on behalf of the client. The margin pledge will be initiated as per the process defined by the Depositories / SEBI / Exchanges,

The client will receive a link on registered Email id / Mobile number mapped with depository (NDSL / CDSL) for confirmation of pledge in favour of Sharekhan. Client will have to enter an OTP received on Email id and /or Mobile number within the prescribed timeline to confirm pledge in favour of Sharekhan. The limit for trading on pledge securities will be given to client on best effort basis only post confirmation of creation of pledge in favour of Sharekhan. Sharekhan will not be responsible for any delay or non receipt of link / OTP from depositories for creation of pledge or non confirmation of pledge request by the client.

Sharekhan shall reserves rights to allow pledging of only selected securities at its own discretion. The trade limits on pledge securities shall be given after applying appropriate hair cut. Sharekhan shall not be responsible for delay if any, in pledging or un-pledging of client securities due to technical or any other issue at depository (NSDL / CDSL) as well as at Sharekhan end. Client shall ensure that correct Email and Mobile number is updated with Sharekhan at all the times so that, client can receive link and OTP for creation of pledge.

Sharekhan shall reserves rights to re-pledge the securities to the Clearing Corporations. In case the client defaults Sharekhan and/or the Clearing Corporations shall be entitled to invoke securities pledged by the client

In case of failure of Early Pay-in instruction to Clearing Corporation by Sharekhan, any position taken by the client against the sell proceeds and on the event of failure of early pay-in on T day, penalty applicable due to shortage of margin may be levied on the client. Clients may trade themselves through the internet or may trade through the authorized person or branch. For clients who trade through the internet, the exposure limit may be ascertained by them on the trading portal. Clients executing trades through authorized person or branches may check their exposure positions with the authorized person / Branch.

Sharekhan shall not be responsible for any variation, reduction or imposition or the Client's inability to route any order through the Stock broker's website on account of any such variation, reduction or imposition of limits. Sharekhan may at any time, at its sole discretion and without prior notice, prohibit or restrict the Client's ability to place orders or trade in securities based on certain risk parameters.

C. Applicable Brokerage

The brokerage applicable shall be as agreed upon from time to time. In case of any modification in the brokerage rate, the client shall confirm the same as required by Sharekhan. The client agrees to pay to Sharekhan, brokerage, Exchange related charges, statutory levies and any other charges (including but not limited to security handling charges on settlement) as are prevailing from time to time and as they apply to the client's account, transactions and with respect to the services opted by the client and thereby rendered by Sharekhan. Sharekhan does not charge brokerage more than the maximum brokerage permissible as per the rules and regulations and bye laws of the Exchanges/SEBI. However the minimum brokerage as stipulated by the exchanges will be levied. The brokerage shall be charged as a percentage of the value of the trade or as a flat fee or otherwise, together with the statutory levies as may be applicable from time to time on the same. In addition to the brokerage charged the following charges will also be levied.

Schedule of charges

1. Account opening fees
2. SEBI turnover fees as applicable
3. Exchange Transaction charges as applicable
4. Charges for margin pledge/unpledged of securities

5. Securities Transaction Tax (STT)* and Commodity Transaction Tax (CTT)*:- The STT and CTT rates will vary with regards to trades done on delivery basis, non delivery basis and trades done in the derivative segment .
6. Goods & Service tax *
7. Stamp duty
8. Education Cess and higher Education Cess *
9. In addition to the above Sharekhan shall debit the demat charges to the trading account.
10. In case there are any bank charges or any other charges levied by the exchange or any other authority on account of any violation done by the client, the same shall be charged to client
11. Delivery Handling Charges (DHC) would be levied on each sale transaction in case if the value of brokerage levied is less than Rs 21/- . The value of DHC would be difference of Rs 21/- and the brokerage would be charged.
12. In case where the brokerage levied as a percentage on the value of the shares/ contract is less than the minimum brokerage payable per share/contract. The client will be charged such minimum rate of brokerage per share instead of the percentage. *These are government levies and are subject to change from time to time and will be charged in addition to the brokerage as applicable. All the above charges would be subject to change from time to time. Such changes shall be displayed on the website or such other URL used by Sharekhan from time to time.
13. For online client opting for contract notes in physical mode, handling charges of Rs. 10/- would be charged over and above the brokerage on each contract note. Statutory cost will be charged as per Exchange / Regulatory Authorities.

In case the brokerage rate is not specified on the brokerage chart as above, the default brokerage as mentioned below will be applicable:

Default Brokerage

CASH SEGMENT	%	Min. Paise Per Share	Derivatives Segment		Currency Derivatives	
			Futures %	Options %	Futures %	Options %
First Leg	0.10	5	0.10	2.50	0.10	2.50
Second Leg(Same day Sq.off)	0.10	5	0.02	2.50	Nil	Nil
Delivery Brokerage	0.50	10	0.10	2.50	0.10	2.50

In case of futures, the minimum brokerage of 0.01paise per share will be charged. In case of futures options, minimum brokerage will be Rs. 100/- per lot or the above whichever is higher. In case of currency futures, the minimum brokerage of 0.01paise per quantity will be charged. In case of currency options, minimum brokerage will be Rs. 30/- per lot or the above whichever is higher.

Standard Brokerage

Percentage	Index / Stock Options Segment Min. amount per lot	Currency Options Segment Min. amount per lot
2.50	250	30
2	225	25
1.50	200	20
1.50	175	15
1.50	150	10

Brokerage Rate	Percentage	# In case of Commodity Options, maximum brokerage will be Rs. 250/- per lot or the above whichever is higher.
First Leg	0.10	
Second Leg(Same day Sq.off)	Nil	
Next Day	0.10	
Delivery Brokerage	0.50	
Options#	2.50	

D. Imposition of Penalty / Delayed payment charges by either party, specifying the rate and period.

Delay pay-in charges are levied to clients for delay in payment of their fund obligation on time which may be due on account of charges, margins or any other sum due to Sharekhan. Clients are required to pay margins before placing any trades. Clients are allowed to place margins in form of funds or pledge of securities in favour of Sharekhan. Exposure will be given to client as explained in point no. B (setting up client's exposures limit) Appropriate haircut is applied on such stocks. They are then expected to make the full payment for the purchase on the settlement date. In case there is a debit balance in the clients account, the same shall be liable for the delayed payment charges. The calculation of these charges is an automated process. The charges to be levied would be up to 2% per month. These charges have been introduced so that they act as a deterrent for delaying the payment of funds.

In case where any penalty / charges /fees / taxes etc. of whatever nature, is levied on Sharekhan on account of trades or orders placed by clients, such penalty /charges /fees / taxes etc. shall be debited to the client's account. No interest will be paid on the credit balance lying in the client account or funds retained for margins etc.

E. Right to sell client's securities or close client's positions, without giving notice to the client on account of non payment of client's dues:

Margin collection – Margin is collected upfront from the client's i.e. prior to executing any trades. Based on the margin thus available with Sharekhan, exposure is given to the client. The applicable margin may vary and the client may be asked to replenish the margin by tendering additional funds or securities. In accordance with SEBI/Exchange guidelines, Sharekhan retains the right to square off the position without giving any notice to the client.

- The client agrees to pay for the shares purchased through Sharekhan before the pay-in date in order to enable Sharekhan to make the requisite pay-in to the exchange. In case the client fails to make the payment, Sharekhan may liquidate the securities in the client's account within five trading days after payout or as per Risk Management of Sharekhan. This square off may be done on or before the 5th day from the settlement date. Sharekhan may at its discretion also not liquidate the securities and may transfer such securities to its Client Demat account.
- The client also agrees to maintain adequate margin for the positions taken in any segment. However in case the credit available is lower than the minimum margin required, the client's positions would be liquidated in a manner that there is no shortfall of margin.
- Sharekhan shall endeavor to ensure that adequate prior information is given to the client for such liquidation. It shall inform the client through the mobile number and or email id updated with Sharekhan. For clients to whom a login and password is given to access their account on the website www.sharekhan.com, or such other URL that may be provided by Sharekhan from time to time, where they are required to login and check the limit statement uploaded therein. It shall be the client's responsibility to ensure that adequate credit balance is available in the account.
- The above guidelines may be changed based on the discretion of Sharekhan and in terms of the market conditions. In cases where the market is volatile and there is a sudden spurt in scrip price then Sharekhan may square off position without any notice due to the paucity of time and other such circumstances.
- Whenever Sharekhan endeavors that the positions are to be liquidated, it shall not be responsible for any liabilities in case the same cannot be liquidated.
- The priority of the positions to be squared off, i.e. which positions to be squared off first, would be at the discretion of Sharekhan.

Sharekhan may follow the following priority for squaring-off positions :

- a) Lower Margin scrip's and the scrips nearing the aforementioned deadline of five trading days will be squared off first.
- b) Only futures position will be squared off (option position to be square off manually)
- c) In case where there is a position in cash and derivative segment, futures positions would be squared off first then cash positions would be square off in case shortfall still exist.

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

(Internal Shortage Policy)

The client may not receive shares on T+2(settlement date) in case there is an internal shortage situation within Sharekhan i.e.the buyer and seller are both Sharekhan clients and the seller defaults in delivery due to which the buyer may not receive the shares.

In case of any shortage, firstly, as on the payin day (settlement date), the defaulting seller would be debited with an amount being the closing price as on Tday or T+1 day, whichever is higher plus 30% for the default till such time the close out process can be completed.

In case there is an internal shortage, on T+2 for scrips listed on NSE and BSE, Sharekhan will purchase the shares from NSE. For scrips, listed only in BSE, Sharekhan will purchase the shares from BSE and will provide the shares to the buyer on receipt of delivery. The defaulting seller would be debited with the rate at which these shares were purchased, including the brokerage, statutory charges and other incidental charges including penalty if any.

In case of non receipt of delivery of purchased shares, the buyer would be offered credit at a closing price of T+4 day + 3% and the new seller would be debited at the same rate.

In case where Sharekhan is unable to purchase the shares on account of the scrip being in buying circuit, the position would then be closed out on the closing price of the exchange on T+2 plus amount at the circuit percentage of 2 days (Maximum upto 20%). In case of any corporate action for internal shortages, if original trade was executed at cum-rate, then Sharekhan will repurchase the shares at ex-rate in its Internal Shortage a/c. The amount of corporate action, as applicable will be debited to the Seller's a/c and quantity will be credited to the Buyer's account. For corporate action type being Buy back or in case of securities being delisted from trading, Sharekhan will close out internal shortages at last traded price or last traded cum rate price as applicable+10% will be credit to buyer & debited to seller.

In case of internal Shortage of physically settled Derivatives contracts, there will be compulsory close out at +10% of the closing price of the pay-in date. The amount will be debited to seller and credit will be given to Buyer. Sharekhan may also levy charges on the defaulting seller for non-delivery of stocks within the stipulated time.

G. Conditions under which a client may not be allowed to take further position or the broker may close existing position of a client / Temporary suspending or close a client's account at the client's request and Deregistering a client

- a) In the event where overall position in any scrip or derivative contract has reached the limit prescribed by regulators or exchanges. For example, in case of NRI clients where the PIS Limits are prescribed by RBI are breached or in case of Exchange wise, scrip wise limit prescribed by Exchanges for derivative contracts are breached. In all such cases the client may not be permitted to take additional positions
- b) Sharekhan has the right to stop or block the client to trade in case where there is a debit balance in his/her account
- c) Sharekhan retains the right to block the client to take a position in certain specified scrips basis the risk management systems of Sharekhan.
- d) In case where Sharekhan is apprehensive the client to be an entity debarred by any regulatory authority, it shall retain the right to stop the trading activities of such a client.
- e) In case where Sharekhan perceives risk with regards to any regulatory action or with regards to delay or nonpayment of margin or any other obligation Sharekhan may temporary block or suspend the trades of such clients.
- f) In case where the client's account is dormant for a period of more than 1 year Sharekhan shall mark such clients as inactive, and trades in the all the segments will be restricted till the completion of due diligence (including IPV) and receipt of updated information related to KYC from the clients for activating the account.
- g) In case where suspicious transactions are observed, including but not limited to off market transactions.
- h) In case where clients are not reachable at their contact details mentioned in the client registration form or in the client master changes form.
- i) In case where unprofessional, or unruly behavior of the client is observed.
- j) In case of any ongoing dispute with the client, we may not permit the client to take further positions and may even close out his open positions.
- k) Further in case of clients breaching the risk parameters mentioned in point H above we may close the clients' positions without any intimation.

In the event of death or insolvency of the client, winding up or liquidation 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, the Stock Broker may close out the transaction of the client and the client or his legal representative as the case shall be would be liable for any losses, costs and be entitled to any surplus which may result there from.

Sharekhan

Entities covered: Sharekhan Limited; Espresso Financial Service Private Limited
(earlier name: Sharekhan Comtrade Private Limited)

Policy for treatment of In-active/Dormant Account

This policy defines the treatment of In-active/Dormant accounts of the clients maintained with Sharekhan Limited and Espresso Financial Service Private Limited (commonly specified by Sharekhan).

Background:

SEBI vide circular no. MIRS/SE/Cir-19/2009 dated December 3, 2009 has directed that a policy be framed by stock brokers to deal with the inactive accounts. NSE vide its circular no. NSE/INSP/43488 dated February 10, 2020 and NSE/INSP/46506 dated December 1, 2020, MCX vide its circular no. MCX/INSP/087/2020 dated February 11, 2020 and MCX/INSP/908/2020 dated December 2, 2020 and BSE vide its notice no. 20200210-47 dated February 10, 2020 and 20201201-27 dated December 1, 2020 has issued guidelines on treatment of inactive trading accounts.

For Trading Accounts:

The term In-active/dormant trading account refers to such trading account where no transaction have been carried out in the client's trading account for a period of last 12 months from the date of last transaction across all exchanges or from account opening date. In addition if the client account satisfies any one of the following conditions in previous 12 months, then account will not be marked as inactive/dormant basis clarification provided by Exchanges.

- Funds received from the client's mapped bank account to Sharekhan's client bank account;
- Any transactions in client's mapped demat account (excluding corporate actions);
- Any trade order placed by the client which remained unexecuted;
- Any transactions in Mutual fund including SIP; and
- Applied in IPO irrespective of allotment status

Any other activities in client trading accounts (except for above mentioned activities) such as transfer of funds from Sharekhan Bank account to client bank account, any update in KYC information of client or any communication / interaction with the client etc. in all such scenarios, as per the aforementioned circulars and clarifications issued by Exchanges, Sharekhan shall mark all such accounts as inactive and necessary due diligence process as mentioned below shall be followed as specified in circulars.

The following procedure shall be followed for inactive clients:

Sr. No.	Situation	Action to be taken
1	No trades carried out by the client in the last 12 (Twelve) months across all Exchanges	Mark/Flag the client as 'Inactive'
2	Before completion of one year of the client being marked/flagged as 'Inactive'	We shall ensure that the basic details of such client like Address, Mobile number, Email ID, Bank/DP account are updated in the records as well in the UCC records of the Exchange. In case there is a change in details, fresh documents to be submitted by the client. Account will be activated after receiving confirmation from client to activate the account.
3	After completion of a period of 1 year of the client being flagged as 'Inactive'	Fresh documentation, due diligence and IPV to be undertaken. In case of transactions in IPO/MF and DP, fresh documentation, due diligence, and IPV will not be required.

The requirement for undertaking an IPV shall not be required:

- Where the KYC of the investor is completed using the Aadhaar authentication / verification of UIDAI.
- When the KYC form has been submitted online, documents have been provided through Digi locker or any other source which could be verified online.

For Demat Accounts:

The Demat accounts wherein no transaction had taken place for a continuous period of 6 (six) months shall be flagged as Dormant accounts.

Additional due diligence would be observed over and above the normal verification procedure while processing debit transactions in such accounts. The transaction shall also be verified with the Beneficial owner in case of high value debits and the details of the process, date, time, etc., of the verification on the instruction slip shall be recorded under the signature of the depository official.

Client accounts will be identified as In-active/Dormant on a monthly basis. Intimation will be sent to the client or respective servicing branch prior to the date of deactivation/ locking for any further transaction. Once the account is deactivated, a client can get his account activated through multiple modes based on the regulatory requirement prescribed to the respective regulatory entities.

The policy will be reviewed on yearly basis or required by the regulatory requirement by the Compliance team. Further, in case of marking the client as dormant / inactive, stringent policy/ requirement will be applied as per the Local regulatory requirement or the Sharekhan Dormant/In-active policy.

Note: Once approved the policy will be updated on website and intimation will be sent to the clients towards the same. The same will also be updated in the policy and procedure segment of the Client Registration Forms per the local regulatory requirements.