



12th November, 2010

**Mandatory
Policies and Procedures**

This document outlines various policies and procedures framed and followed by Axis Equities Pvt. Ltd. (AEPL) with respect to its dealing with its clients as a stock broker on National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Ltd (BSE) (collectively hereinafter referred to as “the Exchanges”). The policies and procedures as stated herein below are subject to change from time to time at the sole discretion of AEPL, depending upon regulatory changes, its risk management framework, other market conditions, etc.

a. Refusal of order for penny stock

Following types of scrips will come under Penny stock if it falls in any one category as mentioned below as part of the due diligence and risk management policy of AEPL.

1. Scrip which are quoting at less than Rs. 10/- on any of the Exchanges.
2. Scrips appearing in the list of illiquid securities issued by the Exchanges periodically.
3. Securities forming part of Trade-to-Trade settlement.
4. Securities forming part of Z group.
5. Scrips on which Exchange VaR is more than 50%
6. Scrip whose average daily volume is less than 15000 shares (collectively for all Exchanges) in last seven days.
7. Any Securities which in the opinion of AEPL is likely to be a Penny Stock.

Trading in Penny stocks may be allowed to clients at the sole discretion of AEPL. Also AEPL may restrict the quantity/amount which a client may be allowed to buy/sell the penny stock. If the client wants to purchase Penny stocks then AEPL may insist upto 100% advance payment/sufficient clear ledger credit balance and similarly if client wishes to sell Penny stock, then AEPL may insist that shares should be first transferred to beneficiary demat account of AEPL. Under no circumstances, AEPL shall be held responsible for nonexecution/delay in execution of such orders and consequential opportunity loss or financial loss to the client.

b. Setting up client's exposure limits

Cash Segment

- Exposure based and / or Margin based limits will be given to the clients for doing trades in Cash Segment.
- Limits will be given on the basis of credit balance and / or collateral / Securities of the client available with AEPL valued after hair cut.
- Exposure based limit may be given to the client in certain multiples (multiples times may be decided by AEPL at its sole discretion from time to time) on the available credit balance and / or on the collateral / securities of the client available with AEPL valued after hair cut. However, on case to case basis the excess limits may be allowed.
- Margin based limit may be given to the client on the applicable VaR as may be decided by AEPL from time to time on the available credit balance and / or on the collateral / securities of the client available with AEPL valued after hair cut. However on case to case basis the excess limits may be allowed.
- Securities shall be valued after appropriate hair cut based on the type of scrips, nature of scrip, liquidity, volatility of scrip, etc. from time to time.

AEPL 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 AEPL. On a case-to-case basis AEPL may, at its sole and absolute discretion, give higher clean exposure limits to certain set of the clients. AEPL 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 and shall not raise any concern/dispute for the same and under no circumstances; AEPL shall be held responsible for alleged / consequential opportunity loss or financial loss to the client.

Derivatives Segment

- Margin based limits will be given to the clients for doing trades in Derivatives Segment.
- Limits in Derivatives Segment will be given on the basis of free credit balance and / or collateral / securities of the client available with AEPL valued after hair cut
- Securities shall be valued after appropriate hair cut based on the type of scrips, nature of scrip, liquidity and volatility of scrip, etc. from time to time
- A client will be normally allowed limits till the client has free credit balance and / or collateral / securities valued after hair cut. In case of excess limit is availed, the same will be regularized by the end of trading session / day. However on case to case basis the excess limit may be allowed to be carried forward.

AEPL may from time to time depending on market conditions, profile and history of client, type and nature of scrip, etc., may at its sole discretion change the rate of haircut applicable on the securities / collaterals, number of times the limits to be given in Cash and / or Derivatives segments and take such steps as AEPL may deem necessary.

c. Applicable Brokerage Rate

The brokerage rate applicable on clients trades will be as per agreed rates as mentioned in the Brokerage /Charges schedule at the time of opening the client trading account. Any higher brokerage will be levied only if agreed in writing between AEPL and the client or by advance notice of 15 days by AEPL to the client. If the client has any grievances' regarding the rate of brokerage charged then he should intimate the same to AEPL within four hours of receipt of the contract note/confirmation memo/bill.

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

Unless otherwise agreed the brokerage will be exclusive of the following:

- Service Tax and Education Cess (including Secondary Higher Education Cess)
- SEBI/ Exchange/ Transaction / Clearing member /other charges and /or levies.
- Stamp duty_ Securities Transactions Tax (S.T.T.)
- Charges payable to Exchange/ SEBI/ Govt. Authorities etc. from time to time.
- Any other charges towards customized/ specialized service.

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

In case of delay in payment by the client to AEPL on its due date, AEPL in respect of such delayed payment will be entitled to recover late / delayed payment charges from due date. The said delayed payment shall include amounts payable by the client to AEPL in respect of initial margin, mark to market, shortfall of margin(s) in prescribed modes, and / or other margins and pay-in obligations. Late payment charges will be levied upto 2.5% per month or a part of month on delayed payment for the delayed period. The trade of the client may not be executed by AEPL if the client does not clear dues along with delayed payment charges. The client will not be entitled to any interest on the credit balance / excess margin available/ kept with AEPL.

A delayed payment charge is applied to act only as a deterrent measure. The client should not construe it as funding arrangement. The client cannot demand continuation of service on a continued basis citing levy of delayed payment charges.

AEPL may impose fines/penalties for any order/trades/ deal/ actions of the clients which are contrary to this agreement/ rules/ regulations/ byelaws of the exchange or any other law for the time being in force at such rates and in such form as it may deem fit. Further where the AEPL 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 order/trades/ deal/ actions of the client, the same will be borne by 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 is required to pay adequate margin/pay-in obligations in full and that it shall be the clients responsibility to ascertain in advance the margin/payin obligations requirement for its order/trades/deals and to ensure that the required margin /pay-in obligations is made available to AEPL in such form and such manner as may be required by AEPL from time to time. If the client's order is executed despite a shortfall in the available margin, the client shall, whether or not AEPL intimates such shortfall to the client, makeup for the shortfall *suo-motto* immediately. The client shall be responsible for all orders (including any orders that may be executed without the required margin in the clients account) and/or any claim/ loss/damage arising out of the non-availability/ shortage of margin /pay-in obligations required by AEPL and/or by Exchange. The client shall fulfill all its obligations /liabilities / dues to AEPL, failing which AEPL has the right not the obligation to square up all or any outstanding position and / or take offsetting positions and / or sell the margin / securities available with AEPL without giving any notice to the client. AEPL may also square up all or any outstanding position and / or sell the securities/collateral available with AEPL as a part of risk management at any time without giving any notice to the client. In case of purchase on behalf of client, the AEPL may close out its

transactions by selling securities, in case the Client fails to make full payment to AEPL for the same before the time intimated by AEPL. In case of sale on behalf of client, the AEPL may close out its transaction by purchasing the securities. The client shall be liable for any losses, costs and be entitled to any surplus, which may result from the above.

f. Shortages in obligations arising out of internal netting of trades,

If a selling client who has sold shares of particular scrip on T day does not deliver shares latest by T+2 (i.e. by pay-in day deadline) and such quantity of shares results in internal shortages, then such quantity of internal shortage will be purchased from the market on pay-in day/or reported for self auction if provided by the Exchange. On T+2 (i.e. pay-in day) provisional debit will be given in client account at T+1 day's closing rate +adhoc margin as decided by AEPL from time to time.

On payout day of securities purchased in the internal shortage account, provisional debit bill amount will be reversed and client account will be debited with the amount at which securities are purchased on T+2 day. Fines / penalties / charges may be levied on account of internal shortage to selling client.

Due to internal shortage on account of internal netting of trades, the buyer client shall receive late delivery of securities. Buyer shall have no claims / rights against AEPL for delay in delivery of securities. It may also be possible that AEPL may not be able to obtain the required securities due to market conditions, then in such cases the buyer clients account will be credited and seller clients account will be debited as per the closeout rate provided by the exchange for the relevant Auction settlement. Provisional debit bill amount will be reversed in the sellers client account.

Notwithstanding the above, the selling client who has failed to deliver the shares by due date and time shall be solely responsible for all cost, charges, penalties, damages, etc. arising out of such non delivery of shares. Above procedure is subject to change from time to time according to change in settlement procedure of the Exchange.

g. Conditions under which a client may not be allowed to take further position or AEPL may close the existing position of a client.

Under the following conditions AEPL will not allow the client to take further positions or AEPL may close the existing position of a client:-

- 1) Insufficient / inadequate margin(s) and / or insufficient / inadequate free credit balance available with AEPL.
- 2) Scrips / stocks falling in Penny Stocks in clause (a) above.
- 3) Illiquid contracts / options.

- 4) Trades which apparently in the sole and absolute discretion of AEPL seems to be Synchronized trades/Circular trading/Artificial trading/manipulative in nature, etc.
- 5) Scrips banned by Regulatory authorities.
- 6) Where name of the client apparently resembles with the name appearing in the list of debarred entities published by SEBI/Exchanges and other regulatory authorities [where the information available for the debarred entity (other than name) is not sufficient enough to establish that the client and such debarred entity are one and the same].
- 7) The client fails to furnish documents/information as may be called for by AEPL from time to time as per regulatory requirement and/or as per its internal policy.
- 8) In the event of death or insolvency of the client or the client otherwise becoming incapable of receiving and paying for or delivering or transferring securities which he has ordered to be bought or sold.

In addition to the above AEPL can also close position of the client in case the client fails to pay his /her obligation / dues before pay in schedule of the exchange and / or as demanded by AEPL. Depending on the market circumstances if AEPL is of the view that the positions of the clients are / will be at risk then AEPL may close the existing position without waiting for the pay in schedule of the exchange.

h. Temporarily suspending or closing a client's account at the client's request,

At the written request of the client, the trading account will be suspended / closed. In case client request for closing the account then the client's funds and securities due to / from client will have to be settled at the earliest. Also the client will give a confirmation of no dues (funds and securities) to AEPL. Only after the settlement of funds and securities the clients account will be closed. If a client wishes to resume trading then client has to give a written request to AEPL for the same. In case after closing of account client wishes to resume trading with AEPL then fresh KYC formalities will be done.

i. Deregistering a client.

AEPL may at its sole discretion deregister a client without giving any specific reason. Necessary communication will be done by AEPL to client in writing or by email. On giving the intimation to deregister, the client's funds and securities, if any, will be settled at the earliest. The client will be given necessary notice period as required by the SEBI/Exchanges from time to time.

Due to de registration, AEPL shall have the right to close out the existing open positions/contracts, sell/liquidate the margin (in any form) to recover its dues, if any, before de-registering the client. Any action taken by AEPL in terms of this

policy shall not be challenged by the client, and AEPL shall not be liable to the client for any loss or damage (actual/notional), which may be caused to the client as a result. Also while de-registering the client, AEPL 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 AEPL. In case if any securities retained by AEPL is sold/liquidated to recover any such losses, liability, penalties, etc., AEPL shall have the sole authority to decide the scrip, the mode, manner and the price at which to effect the sale of securities and the client cannot raise any dispute as to the manner, mode and the price at which the securities are sold by AEPL.

In any of the above circumstances, if the client is able to justify his / her, circumstances / reasons either by producing any record, document or otherwise to the full satisfaction of AEPL, then AEPL may reconsider its decision of deregistering the client. However in no circumstances any action taken by AEPL till the date of re-registration shall be challenged by the client and AEPL shall not be liable to the client for any loss or damage (actual/notional), which may be caused to the client as a result.

Client Acceptance of Policies and Procedures stated herein above:

I/We have fully understood and agree to the policies and procedures as stated herein above and do hereby agree not to call into question the validity, enforceability and applicability of any provision / clauses this document any circumstances whatsoever. These Policies and Procedures may be amended / changed unilaterally by the broker from time to time. I/we agree never to challenge the same on any grounds including delayed receipt / non receipt or any other reasons whatsoever. These Policies and Procedures shall always be read along with the agreement and shall be compulsorily referred to while deciding any dispute / difference or claim between me / us and AEPL before any court of law/ judicial / adjudicating authority including arbitrator /mediator etc.

Client Signature : _____

Name of the Client : _____

Date: _____