

## ASE CAPITAL MARKETS LTD.

**Mandatory document dealing with policies and procedures Pursuant to SEBI's Circular MIRSD/SE/Cir-19/2009 dated December 3, 2009**

**[Ref: SEBI circular no. MIRSD/ SE /Cir-19/2009 dated December 3, 2009**

**Subject: Dealings between a client and a stock broker (trading members included)]**

SEBI vide circular no. MIRSD/ SE /Cir-19/2009 dated December 3, 2009 required the stock broker (including trading members) to frame a mandatory document dealing with policies and procedures for each of the following:

- A. refusal of orders for penny stocks,
- B. setting up client's exposure limits,
- C. applicable brokerage rate,
- D. imposition of penalty/delayed payment charges by either party, specifying the rate and the period (This must not result in funding by the broker in contravention of the applicable laws),
- 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 (This shall be limited to the extent of settlement/margin obligation),
- F. shortages in obligations arising out of internal netting of trades,
- G. conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client,
- H. temporarily suspending or closing a client's account at the client's request, and
- I. deregistering a client.

In order to comply with the above requirement, the following policies and procedures are prescribed by ASE Capital Markets Ltd. (herein referred as ACML or the Company) and shall be subject to any change from time to time in future and would be applicable to sub brokers, authorized persons and all clients of the company.

### **A. Refusal of orders for penny stocks,**

ACML shall have the absolute discretion to accept, refuse or partially accept any buy or sell order for execution from a client in respect of penny stocks, illiquid stocks, stocks having low liquidity, illiquid "options", far month "options", writing of "options", stocks in S, Z and B category and any other contracts which as per the perception of ACML are extremely volatile or subject to Market manipulation.

ACML may permit restrictive acceptance of orders in such scrips/contracts in controlled environments like orders received from clients being forwarded by branches to a centralized desk at HO instead of allowing trading in such scrips/Contracts at branch level or through Online trading platform. ACML shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the client.

ACML may cancel orders in such scrips received from clients before execution or after partial execution without assigning any reasons thereof. ACML may take appropriate declarations from the clients before accepting such orders.

ACML shall have the prerogative to place such restrictions, notwithstanding the fact that the client has adequate credit balance or margin available in his account and/or the client had previously purchased or sold such securities / contracts through ACML itself.

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### **B. Setting up client's exposure limits,**

**Purchase Limit :** ACML may provide a exposure limit for intraday and delivery based purchases by a client which would be on real time basis of the clear ledger balance in the account of the client plus value of paid up collaterals computed after appropriate haircut. The value of the "haircut" shall be decided by ACML based on Market Volatility and quality of collaterals.

**Sell Limit :** ACML may provide a sell limit to the client equivalent to the value of securities held by the client in his POA enabled Demat account plus the collateral held by ACML on behalf of the client in its Beneficiary and Margin Pool account after making appropriate adjustments for the unsettled delivery positions of the client.

**Exposure for F&O :** ACML may provide exposure for F&O based on availability of initial margin (SPAN + Exposure) in the form of cash and approved securities (with appropriate hair cut).

**Client-wise differential Limits :** ACML shall have the prerogative to allow differential purchase limits and sell limits varying from client to client, depending upon credit worthiness, integrity and past conduct of each client.

### **C. Applicable brokerage rate,**

Brokerage shall be applied as per the rates agreed upon with the client in the KYC at the time of registration of the client subsequently through a written agreement between the client, sub brokers / authorized persons and ACML. The rate of Brokerage shall not exceed the maximum brokerage permissible under Exchange bye-laws. ACML shall charge the brokerage at the rates as may be prescribed from time to time and brokerage shall be shared with the sub brokers / authorized persons in such ratios as may be decided by ACML.

The slab rates of brokerage fixed by registered sub brokers / authorized persons of ACML are function of the quality and cost of services provided to the client and the volume and revenue expected from an account. It can be reviewed from time to time and may be increased with prospective effect at a notice of 30 days sent to the E-mail address or postal address of the client registered with ACML.

The brokerage shall however be exclusive of the following:

- \* DP Annual maintenance charges
- \* DP transaction charges / Pledge / Re-pledge / Demat / Remat charges
- \* DP Inter settlement charges
- \* Account Opening charges
- \* Delayed Payment charges
- \* Penalties levied by Exchange
- \* Research advisory charges
- \* Courier charges
- \* Bank charges towards the cheques received unpaid,
- \* DP, Bank and other processing charges towards periodic settlement of Funds/Securities on periodic basis
- \* Statutory charges payable to Exchange/SEBI/Govt. Authorities etc.,
- \* SEBI/Exchange/Clearing Member Turnover charges
- \* Other out of pocket and service related charges

### **D. Imposition of penalty/delayed payment charges by either party, specifying the rate and the period (This must not result in funding by the broker in contravention of the applicable laws),**

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### **Delayed payment charges / Charges on Exposure against collaterals:**

Pursuant to Exchange Bye-laws, the Member broker is currently required to make pay-in of funds to the Exchange by T+2 morning and arrange delivery of securities to the Exchange latest by T+2 morning. Further Member broker is also required to maintain adequate upfront margins with the Exchange to avail exposure for trading. The Exchanges have also defined the ratios in which the cash and collaterals are to be deposited and maintained by the Member broker. In addition the Exchange requires the member broker to deposit some of the margins like MTM, in Cash only.

In order to manage its working capital, ACML requires fullest cooperation of the clients in meeting their respective obligation towards payin and margins.

ACML may therefore charge a delayed payment penalty, on monthly basis on account of delays/failure by the client in meeting the pay-in obligations on the scheduled date and also where the clients take exposure in F&O segment by depositing collaterals in a ratio which is disproportionate to the Cash versus collaterals ratios prescribed by the Exchanges. While levying delayed payment charges on the debit balance in the running account of a client, ACML may not consider any credit balance in the other family or group account of the client.

### **Penalties levied by Exchanges:**

Further Exchanges levy various penalties on the member brokers on auction resulting from short deliveries, non adherence to client-wise exposure limits, client-wise shortfall in F&O Margin and for other reasons which may be defined by the Exchange from time to time. ACML shall pass on any penalty imposed by the Exchange/SEBI and or any other regulatory authority to the client, which arises on account of the client.

### **Interest Free Deposits:**

ACML provides exposure against the upfront margin received in the form of cash / collateral from the client and the client also has the prerogative to demand withdrawal of cash and collaterals at his discretion, ACML shall not pay any interest or other benefit to the client for maintaining cash balances or depositing collateral margins with ACML.

### **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 (This shall be limited to the extent of settlement/margin obligation),**

ACML through its sub brokers / authorized persons shall have right to sell client's securities, both unpaid securities as well as collaterals deposited towards margins, or close out client's open positions, without giving notice to the client where there is a delay/ failure of the client to meet the pay-in obligations and / or there is a failure of the client to bring additional margins to cover the increase in risk in the dynamic market conditions.

#### **a. Unpaid Securities in Capital Market:**

i. In case of unpaid obligation on T+3, ACML may sell the unpaid/ partially paid securities. In addition ACML may through its sub brokers / authorized persons sell the collaterals deposited by the client towards margins and/ or paid securities purchased by the client in earlier settlements where the sale of proceeds of unpaid securities are inadequate to cover the pay-in obligations and/ where the unpaid securities appear to be comparatively illiquid and cannot be sold at reasonable rates to the extent required.

ii. ACML may follow the LIFO method for liquidation of securities but it may not be binding on it to follow this method in all cases.

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### **b. Margin shortfall in F&O:**

- i. Positions of the client may be closed out to the extent of margin shortfall on the T+1 basis.
- ii. While computing margin shortfall, value of unapproved securities shall not be considered.
- iii. As per the current Exchange requirements, the Member Broker is required to maintain a 50:50 ratio between cash and collaterals margin deposited with the Exchange. ACML shall therefore have the prerogative to insist for at least 50% of margin in cash and may not consider the value of securities over and above the cash component for the purpose of calculating margins shortfall and close the F&O position where it finds the deviation. However, sales made in capital market segment are not considered while closing F&O positions on T+1 basis due to margin shortfall.

### **c. Intra-day Positions:**

ACML shall have right to close out any intra-day positions taken by the client after a defined "Cut-off" time (Presently 20 minutes before close of market).

### **d. General:**

- i. While selling the securities/ closing the clients positions, ACML may take into account the sales made by the client, positions closed by the client or collections received from the client till a cut-off time (presently 12.45pm).
- ii. While selling the securities/ closing the clients positions, ACML may not take into consideration Cheques/Bank drafts/Pay orders deposited by the client with ACML until clear proceeds of such instruments are received by ACML in its bank account.
- iii. ACML shall have the right to sell client's securities or close out client's open positions but it shall not be under any obligations to undertake this exercise compulsorily. ACML shall therefore not be under any obligation to compensate/ or provide reasons of any delay or omission on its part to sell client's securities or close open positions of the client.

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

ACML shall have the right to adopt a policy of its choice for internal auctions arising out of internal netting of trades and charge to defaulter seller and compensate the impacted purchaser as per the policy. The current procedure for internal auction may be amended from time to time with prospective effect.

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

#### **a. All Markets:**

Where client is not having adequate margins as per conditions defined in Risk Management Policy and (B) above.

#### **b. Capital Market:**

- i. Where the client has not able to meet his pay-in obligation in cash by the schedule date of pay-in irrespective of the value of collaterals available with ACML.

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- ii. Clear proceeds of the cheque deposited by the client to meet the pay-in obligations has not yet been received by ACML.
- iii. Client is trading in "illiquid" scrips and volumes in his account exceed internal cut off limit fixed by ACML.
- iv. ACML exposure at "house level" in a specific scrip / contract exceeds the internal limits fixed by ACML.

### c. F&O:

- i. Where the client has not met Market to Market loss in cash
- ii. Where the "open" positions in a contract exceed or are close to market wide cut-off limits
- iii. Where the client's position is close to client-wise permissible "open" positions

### d. INTRA-DAY:

Clients will not be able to place intra-day orders after **a cut-off time fixed by ACML. (Presently 20 minutes prior to close of market)**

**Event Based:** Where based on happening of an event, ACML has the risk perception that further trading in the securities/ contracts may not be in the interest of its clients and/or the market.

## H. Temporarily suspending or closing a client's account at the client's request

ACML may carry a periodic review of the client accounts and may suspend the accounts from Trading in the following circumstances:

- Where the client is inactive for more than 3 months
- Where the client has not cleared debits which are more than 10 days' old.
- Where the account is under investigation by any regulatory body.
- Based on the recommendations made by the Sub broker / authorized person due to excessive speculations, un-cleared balances.
- Physical contract notes are received back undelivered due to reasons like "no such person", "addressee" left, refusal to accept mails, POD's signed by the third persons, signature mismatch on POD's or other reasons which may create suspicion, after "closeout" of the open positions.
- DCN failed (Bounced email) on more than 3 instances until client submits and registers new email id.
- Non delivery of the Statement of Account sent on periodic basis.
- Non updation of communications details viz., email id, Mobile no, Land line details or it is found to be belonging to a third person.
- Client lodges a complaint either directly with ACML or through Exchange relating to alleged unauthorized Trades being executed in his account.
- On notices received from statutory, Government or Local authorities and Income Tax, Service Tax, a Judicial or a Quasi Judicial authority, etc
- Where a client is reported to or known to have expired.

ACML may also suspend the account based on the written request received from the client.

## I. Deregistering a client.

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ACML may de-register the client account based on action taken by SEBI/NSE/BSE or being part of list of debarred entities published by SEBI.

- \* ACML may also initiate action for deregistering a client on basis of information found in sites of SEBI, Watch out investors, world check or client having suspicious back ground, link with suspicious organization, etc.,
- \* ACML shall have right to close out the existing positions; sell the collaterals to recover its dues, if any, before de-registering the client.
- \* ACML may freeze the assets of the client where it deems prudent, at time of deregistering a client.
- \* ACML shall have the right to deregister a client after serving a 30 days written notice without assigning any reason thereof.

### **Policy regarding treatment of inactive accounts**

ASE Capital Markets Ltd. prescribes the following policy regarding treatment of inactive accounts which inter-alia, covers aspects of time period, return of client assets and procedure for reactivation of the same. This policy is displayed on the web site, [www.acml.in](http://www.acml.in) and shall be subject to any change from time to time in future and would be applicable to sub brokers, authorized persons and all clients of the company

If there is no transaction by the Client in its trading account opened and maintained with ACML, for a period of one year and more, Such account may be classified as 'inactive' in the ACML systems. It may be noted that system generated debits (like charges, debit interest etc) are not considered as 'transaction' for classifying an account as active or inactive.

As a result of the client account being classified as 'inactive', the Client may not be able to operate his account through our sub brokers / authorized persons during the time that it remains 'inactive' on our systems.

To avoid this scenario, the Client should effect a transaction from his account by dealing in the market through ACML sub broker / authorized person, at least once a year so that your account remains active at all times.

If the client account goes into the 'inactive' state, Client needs to follow the below-mentioned procedure to reactivate it.

### **Procedure for reactivation - If the account has been 'inactive' for less than TWO years**

If the client account has become inactive, as elucidated above, but it has been less than two years since the last transaction, the client can reactivate his account through any one of the following options:

1. In case the client has other accounts which are active (with 'Either or Survivor' mandate in case of joint accounts), the client can send the ACML a secure message through his sub broker / authorized person, to execute the transaction for selling or buying the securities through his account.
2. NRI customers can also submit a written request by a mail/courier through his sub broker / authorized person, to execute the transaction for sale or buy the securities.

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### **Procedure for reactivation - If the account has been 'inactive' for more than TWO years**

If the client account has become inactive as elucidated above and it has been more than two years since the last transaction, the client is required to provide the following to reactivate his account:

1. A letter for activation of the account signed by each Account holder
2. A proof of photo identification such as Passport, Driving License, etc. for each accountholder. Passport is the only form of identification proof acceptable for Non Resident Customers.
3. Updated details as per KYC norms

All accountholders (including joint account holders) would need to visit in person or any branch to submit these documents. The sub broker / authorized person shall require to certify the above documents.

NRI customers would also be able to mail/courier the above documents through sub brokers / authorized person.

Charges as per ACML tariff, if any, shall be levied for all accounts where no transaction has been performed for more than two years.

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## ASE CAPITAL MARKETS LTD.

To,

ASE Capital Markets Ltd.  
Kamdhenu Complex,  
Ambawadi,  
Ahmedabad – 38 00 15

Sub: Mandatory and Voluntary documents under documentary requirements for trading.

I / We understand that **only** the documents mentioned below seriated at 1 to 4 are mandatory (Part 1 of KYC) and non mandatory document or requirements (Part 2 of KYC) i.e any additional clauses or documentations that are being executed are voluntary and at the discretion of the trading member and Me/us in compliance of SEBI circular no. MIRSD/ SE /Cir-19/2009 dated December 3, 2009 and further clarifications of SEBI communicated by BSE vide Notice No. 20091204-7 dated December 4, 2009 & 20100203-30 dated February 3, 2010 and NSE vide Circular no. NSE/INSP/2009/85 dated December 03, 2009 & Circular No. NSE/INSP/2010/91 dated February 03, 2010 as available in KYC document on page no. \_

### Documents:

Page no.

1. Client Registration Form (Know Your Client)
2. Member-sub broker / Authorised Person-Client Agreement for BSE / NSE  
(Whatever applicable)
3. Member-Client Agreement for NSE F&O (If applicable)
4. Combined Risk Disclosure Document

I / We also understand that in order to avail special facility, I / We may have to execute further documents relating to such special facility provided by the Member which are voluntary and I / We need not execute such documents if I / We do not wish to avail the said facility.

Further, I / we have read, understood and executed KYC document and all the documents attached to the KYC and shall be binding upon me / us.

Client Name:

Sub-broker / Authorized Person Name:

Signature :

Signature:

# ASE CAPITAL MARKETS LTD.

## Authorization by the client to Broker, Sub broker / Authorized Person for maintaining running account

To,  
ASE Capital Markets Ltd.  
Ahmedabad

Dear Sir,

### Sub: Authorization for running account maintenance on Monthly / Quarterly basis.

I/We the undersigned registered as client with you (The Broker and Sub-broker/Authorized Person) in BSE & NSE for cash and F& O segment request (whatever applicable) and authorize you to maintain a running account for all our transactions across all stock exchanges and across all segment for which we are registered with you. This authorization shall be revoked by me / us at any time.

I/We request you to give us the pay-out of securities and funds within prescribed time of pay-out unless requested otherwise. I/We specifically authorize you to maintain a running account (as per Option I or Option II below) / ledger stating all the movements of my/our securities and funds for margins, marking to market and pay-in pay-out etc. and maintain my/our credit balances of funds and securities which should be utilized for my/our all obligations (including upfront margin, initial margin, span margin, mark to market and pay-in and any other applicable margin as per exchanges). I/ we request you to provide me/us the account statement at least once in every month or quarter as applicable.

I/We undertake that all the running account maintenance conditions will be binding on me/us and I/We will be fully responsible for the above mentioned movements and adjustments of funds and securities across the stock exchanges and segments. Further I/We will not claim any interest on the funds and securities retained under this request and the sub-broker/authorized person and stock broker will not be liable for any loss, damage or any other consequences of this request by us to maintain running account.

<b>Option : I (Monthly)</b>	<b>Option :II (Quarterly)</b>
I/ We here specifically authorize stock-broker to maintain a running account on monthly basis subject to conditions as mentioned as per the SEBI Circular no. MIRSD/ SE /Cir-19/2009 dated December 3, 2009, BSE Notice No. 20091204-7 dated December 4, 2009 & 20100203-30 dated February 3, 2010 and NSE Circular no. NSE/INSP/2009/85 dated December 03, 2009 & Circular No. NSE/INSP/2010/91 dated February 03, 2010. (Annexure herewith in KYC)	I/We here specifically authorize stock-broker to maintain a running on quarterly basis subject to conditions as mentioned as per the SEBI Circular no. MIRSD/ SE /Cir-19/2009 dated December 3, 2009, BSE Notice No. 20091204-7 dated December 4, 2009 & 20100203-30 dated February 3, 2010 and NSE Circular no. NSE/INSP/2009/85 dated December 03, 2009 & Circular No. NSE/INSP/2010/91 dated February 03, 2010. (Annexure herewith in KYC)
Client Signature : (For maintain a running account On monthly basis)	Client Signature: (For maintain a running account On quarterly basis)
Date:	Date:

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## Annexure- 1

**Clarifications to Annexure –A of SEBI Circular MIRSD/SE/Cir-19/2009 dated December 03, 2009**

### **Client Registration Procedure**

**Point no.1 - Segregation of mandatory & non-mandatory documents in folder/book.**

The above requirement is applicable only to prospective clients. In case of clients registered before the date of Circular (existing clients) trading member shall collect additional information if any, in the form of an addendum.

### **Mandatory Documents**

**Point no. 3 - Mandatory documents as prescribed by SEBI.**

All the documents under Mandatory documents should be as per format prescribed by SEBI. However for **existing clients** if any additional voluntary clauses are forming part of mandatory documents and such clauses are not in conflict with any of the clauses in the model format , rules, regulations, articles, byelaws, circulars , directives & guidelines of SEBI/Exchange, in such scenario trading member may not execute fresh documents.

**Point no. 4 - Signature against market segments/ stock exchanges in which client intends to trade.**

This requirement is applicable only to prospective clients. For existing clients trading member should send information pertaining to segments/ exchanges along with quarterly statement of accounts for funds & securities and maintain proof of dispatch/delivery of the same.

**Point no. 5 - Capturing Identity & address of the Introducer.**

This requirement is applicable only to prospective clients.

**Point no. 6 -Documentary evidence of financial details.**

In respect of clients trading in derivative segment, the member shall collect documentary evidence for financial information.

Illustrative list of documents

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1. Copy of ITR Acknowledgement
2. Copy of Annual Accounts
3. Copy of Form 16 in case of salary income
4. Net worth certificate
5. Salary Slip
6. Bank account statement for last 6 months
7. Copy of demat account Holding statement.
8. Any other relevant documents substantiating ownership of assets.
9. Self declaration along with relevant supporting.

Further, for clients registered before the circular date (existing clients), trading member shall collect documents pertaining to financial information at the time of periodic (annual) updation of financial information.

### **Point no. 7 - Capturing details of actions taken against the client.**

The action taken against a client would mean action by any financial sector regulator. The primary onus of declaring the information rests with the client. However with respect to regulatory orders available in public domain, trading member should also verify the details provided by the client.

### **Point no. 8 - Documents pertaining to policies & procedures.**

For the existing clients wherever terms pertaining to policies & procedures are not explicitly elaborated in the already executed documents, trading member should intimate the said policies/procedures to all clients & maintain records of dispatch/delivery of such documents to clients.

In case of Internet trading Clients, if information pertaining to all procedures/policies is made available to respective clients in a secured manner electronically the same shall be treated as sufficient compliance.

Trading Member shall define “**penny stocks**”. For this purpose trading member may refer to the stocks which are appearing in the list of illiquid securities issued by the Exchanges every month.

### **Non Mandatory documents**

#### **Point No. 9**

This requirement is applicable only to prospective clients.

### **Running Account Authorization**

#### **Point no. 12**

The settlement of funds/securities shall be done within 24 hours of the payout should be read as “shall be done within 1 working day of the payout”.

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For all clients registered before the circular date (existing clients) the said requirement of revised running account authorization with a clause of revocation would be applicable wherein running account authorization is taken prior to 1 year and is due for renewal.

For calculation of “funds expected to be required to meet margin obligation for next 5 trading days” it is clarified that

- In respect of derivative market transactions, apart from margin liability as on the date of settlement, trading member may retain additional margins (maximum up-to 75% of margin requirement on the day of settlement) to take care of any margin obligation arising in next 5 days.
- In respect of cash market transactions, trading member may retain entire pay-in obligation of funds & securities due from clients as on date of settlement

For the purpose of quarterly/monthly settlement trading member may settle across segments of the same exchange for a particular client.

Trading member is required to send statement of accounts for funds & securities monthly/quarterly as applicable, at the time of settlement. This is an adequate compliance for the purpose of sending quarterly statement of accounts for funds/securities.

### **Authorization for Electronic Contract Notes**

#### **Point no. 13**

For the clients registered before the circular date (existing clients), where trading member has generated e-mail id for client, trading member would be required to obtain duly signed physical confirmation letter confirming the e-mail id and exercising choice to receive documents on this e-mail id.

For all prospective clients, e-mail id should be created / provided by the investor only.

### **General**

#### **Point no. 14 – All documents to be printed in font size 11**

This requirement is applicable only to prospective clients. Additionally trading member should ensure that the contents are legible for investors to read.

#### **Point no. 15 - Sending of executed documents to clients.**

In case of existing clients to whom trading member has not already sent the executed documents earlier, the same should be sent upon request by clients and proof of dispatch/delivery should be maintained.

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In case of Internet Trading Clients, if documents are made available to the client through secured access electronically the trading member may not send physical documents.

The timeline of 7 days should start from the day of upload of UCC to the Exchange by the trading member.

### **Point no. 16 - Display of standard documents / information on the website.**

Trading members having their own website shall display the set of standard documents on the website for information.

### **Point no. 18 - Policy regarding treatment of inactive accounts.**

Trading member shall define “**Inactive accounts**” while framing the Policy.

### **Point no. 19 - Statement of balance of funds & securities on 31<sup>st</sup> March**

In view of the requirement for trading members to send monthly/quarterly statement of accounts for both funds & securities, the statement as on March 31, every year shall be sent to the **clients only upon request.**

**Trading members are required to ensure due compliance with aforesaid Circular of SEBI (MIRSD/SE/Cir-19/2009) in true spirit.**