

## **ACML CAPITAL MARKETS LIMITED**

**Sub: Policy and Procedures regarding Handling of Clients' Securities by ASE Capital Markets Ltd.  
(Ref: ACML Board meeting dated September 04, 2019, reviewed on 01.12.2020 and 04.09.2021)**

**Ref: SEBI Circular Ref No. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019  
NSE Circular no. 27/2019 (NSE/INSP/42052) dated September 04, 2019  
BSE Notice no. 20190904-38 dated September 04, 2019**

SEBI vide circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 referred its earlier provisions regarding handling of Clients' Securities by the stock brokers and clearing members and among *inter alia* issued the following directions:

- All TM/CM are required to transfer the clients securities received in pay-out to clients demat account within one working day.
- In case the client does not pay for such securities received in pay-out, then the TM/CM shall be entitled to retain those securities up to five trading days after pay-out.
- Further, where the client fails to meet its funds pay-in obligation within five trading days from pay-out day, the TM/CM shall liquidate the securities in the market to recover its dues.
- Under no circumstances, shall the securities of the clients received in pay-out be retained by the TM/CM beyond five trading days and be used for any other purpose.

In order to provide clarity with respect to a TM/CM maintaining a running account for client securities and pledging the client securities with Banks/NBFCs, the following advice is issued by SEBI.

- The securities received in pay-out against which payment has been made by clients, shall be transferred to the demat account of the respective clients within one working day of the pay-out. Such securities shall be transferred directly from the pool account of the TM/CM to the demat account of the respective client.
- With regard to securities that have not been paid for in full by the clients (unpaid securities), a separate client account titled – "client unpaid securities account" shall be opened by the TM/CM. Unpaid securities shall be transferred to such "client unpaid securities account" from the pool account of the concerned TM/CM.
- The securities kept in the 'client unpaid securities account' shall either be transferred to the demat account of the respective client upon fulfillment of client's funds obligation or shall be disposed off in the market by TM/CM within five trading days after the pay-out.
- The unpaid securities shall be sold from the Unique Client Code (UCC) of the respective client. Profit/loss on the sale transaction of the unpaid securities, if any, shall be transferred to/adjusted from the respective client account.
- In case the clients' securities are kept in the 'client unpaid securities account' beyond seven trading days after the pay-out, the depositories shall under their bye-laws levy appropriate penalties upon such TM/CM which shall not be permitted to be recovered from the client.

Further, NSE vide Circular no. 27/2019 (NSE/INSP/42052) dated September 04, 2019 and BSE vide Notice no. 20190904-38 dated September 04, 2019 issued detailed clarification in the form of Frequently Asked Questions.

With a view to ensure compliance of the provisions of aforesaid SEBI by the company, the policy and procedure is framed and that the same is subject to change as per regulatory requirements and by the ACML from time to time.

- **Liquidation policy and Procedure of the company:**

*(The right to sell client's securities or close client's positions, without giving notice to the client, on account of non-payment of clients' dues)*

- Without prejudice to the Stock Broker's other rights (including the right to refer the matter to arbitration), ASE Capital Markets Ltd. (hereinafter referred as 'the Stock Broker') shall be entitled to liquidate / close out all or any of the clients positions for non-payment of margins or other amounts including the pay in obligation, outstanding debts, etc to the extent of client's settlement / margin obligation only. The proceeds of such liquidation / close out, if any, would be adjusted against the clients liabilities / obligations. The client would be required to make good the shortfall, if any post liquidation, immediately on being intimated of the same by the Member.
- The client shall ensure timely availability of funds / securities in form and manner at a designated time and in designated bank and depository accounts(s), for meeting his / her / its pay in obligation of funds

and securities. Any and all losses and financial charges on account of such liquidations/closing out shall be charged to & borne by the client.

- In case of securities lying in a Collateral account / Client Collateral account / Pool Account and having corporate actions like bonus / stock split, the benefit of the same for margin or other purpose will be given when the shares are actually received in the Stock Broker's designated depository account.
  - For institutional clients, trades are confirmed by the custodian by T+1 morning and the custodian takes on the responsibility of settling the trade with the Exchange. If the custodian does not confirm a particular trade, then the trade will devolve on the Stock Broker. In such a scenario, the Stock Broker will settle the trade as a Delivery versus Payment trade.
  - In case the payment of the margin, settlement obligation is made by the client through a bank instrument, the Stock Broker shall be at liberty to give the benefit / credit for the same only on the realization of the funds from the said bank instrument. Where the margin is made available by way of securities or any other property, the Stock Broker is empowered to decline its acceptance as margin and/ or to accept it at such reduced value as the Stock Broker may deem fit by applying haircuts or by valuing it by marking it to market or by any other method as the Stock Broker may deem fit in its absolute discretion.
  - The Stock Broker has the right but not the obligation, to cancel all pending orders and to sell / close / liquidate all open positions / securities / shares at the pre-defined square off time or when Mark to Market (M-T-M) percentage reaches or crosses stipulated margin percentage, whichever is earlier. The Stock Broker will have sole discretion to decide the stipulated margin percentage depending upon the market condition. In the event of such square off, the client agrees to bear all the losses based on actual executed prices, the client shall also be solely liable for all and any penalties and charges levied by the Exchange(s) or depositories.
  - The company may consider transfer of the unpaid client securities from pool/unpaid securities demat account to client's demat account in accordance with the Risk Management (RMS) Policy of the company applicable from time to time.
- **Conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client**
    - The Stock Broker has margin based risk management policy. The client may take exposure up to the amount of margin available with the Company. The client may not be allowed to take position in case of non-availability / shortage of margin as per the risk policy of the Company. The existing position of the client is also liable to be squared-off / closed-out without giving notice due to shortage of margin / non-payment for their pay-in obligation /outstanding debts.
    - Further, under various circumstances outlined in the Liquidation Policy section of the document, the Client may not be permitted to take any fresh or further position until the full clearance of earlier dues, obligation, outstanding etc. It would be the duty of the client to monitor its position with the Company from time to time.
- **Temporarily suspending or closing a client's account**
    - The client account can be suspended temporarily for various reasons. During the period the client account is suspended, the market transaction in the client account will be prohibited. However, at the time of making such request, the client has to ensure that the trading account has been duly settled (both for securities as well as funds). The Member shall settle the funds and securities due to client, if any, latest within such time as required from the date of suspension of such account.
    - Such accounts shall be re-activated and any new requests for orders to trade shall be accepted from such clients only on receipt of formal communication from the client requesting re-activation of account in order to enable the client to trade along with completion of all required formalities of KYC including updation thereof, if necessary.
    - The client shall be entitled to close his trading account and terminate the member-client agreement/ relationship under the rights and obligations prescribed by SEBI which has been entered into between the

client and the Stock Broker without giving any reasons to the Member, after giving formal notice in writing of not less than one month to the Member. The account shall be deemed to have been closed effective 30th day from the date of receipt of such termination notice by the Member. Notwithstanding any such termination, all rights, liabilities and obligations of the client arising out of or in respect of transactions entered into prior to the termination shall continue to subsist and vest in / be binding on the client.

- At the time of making such request, the client has to ensure that all the open positions, if any, taken by the client are closed and the trading account has been duly settled (both for securities as well as funds). The Member shall settle the funds and securities due to client, if any, latest within a period of seven days from the date of closure of such account.
  - The Member recommends to the client not to undertake any further trading during the notice period and any trades of urgent nature would be undertaken by the Member against receipt of funds and / or securities prior to execution of such orders.
  - If the client wants to re-open the account, the client has to complete the applicable client registration process including due completion of applicable Know Your Customer ("KYC") requirement.
- **Clarifications etc. of the SEBI, Exchanges and Depositories from time to time.**

The Company shall implement various clarifications, guidelines, directions issued by regulatory authorities including SEBI, Exchanges and Depositories and that this policy shall be construed as amended as per the prevalent clarifications, guidelines, directions of the authorities issued from time to time. This policy also includes and approves the applicability of clarifications issued by the Exchanges vide their circular / notice dated September 4, 2019 in the form of frequently asked questions.

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