

**Mandatory document dealing with policies and procedures Pursuant to SEBI's****Circular MIRSD/SE/Cir-19/2009 dated December 3, 2009:****Policies and Procedures forms integral part of the Member Constituent agreement****1. Policy for Penny stocks:**

Penny Stock: A stock that trades at a relatively low price and market capitalization. These types of Stocks are generally considered to be highly speculative and high risk because of their lack of liquidity, large bid-ask spreads, small capitalization and limited following and disclosure.

Durga Prasad & Co., (hereinafter called as DPCo) 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 B2 category and any other contracts which as per the perception of DPCo are extremely volatile or subject to Market manipulation.

DPCo 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.

DPCo shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the client.

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

DPCo 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 DPCo itsen.

2. Setting up client's Exposure limits :

Purchase Limit : DPCo may provide a exposure limit for intraday and delivery based purchases by a client which would be a multiple (varying between one to four times) 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 "multiple" and the "haircut" shall be decided by DPCo based on Market Volatility and quality of collaterals.

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

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

Client-wise differential Limits :

DPCo 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.

3. Applicable Brokerage Rates

Brokerage shall be applied as per the rates agreed upon with the client in the KYC at the time of registration of the client through a mentioned document between the client and DPCo. The rate of Brokerage shall not exceed the maximum brokerage permissible under Exchange bye-laws.

The slab rates of brokerage fixed by DPCo are function of the quality and cost of services provided to the client and the volume and revenue expected from an account. It shall be reviewed by the DPCo from time to time and may be increased with prospective effect at a notice of 15 days sent to the E-mail address or postal address of the client registered with DPCo.

The brokerage shall however be exclusive of the following:

- Delayed Payment charges
- Penalties levied by Exchange
- 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

4. 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)

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 vits working capital, DPCo requires fullest cooperation of the clients in meeting their respective obligation towards pay- in and margins.

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DPCo is therefore authorized by the client to charge a delayed payment penalty, not exceeding 2% per month, 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/CDS 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 or interest on the debit balance in the running account of a client, DPCo 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 / CDS Margin and for other reasons which may be defined by the Exchange from time to time.

DPCo is therefore authorized by the client to 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:

DPCo 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, DPCo shall not pay any interest or other benefit to the client for maintaining cash balances or depositing collateral margins with DPCo.

**5. 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)**

DPCo 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, DPCo may sell the unpaid/ partially paid securities. In addition DPCo may 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.
- i. DPCo may follow the LIFO method for liquidation of securities but it may not binding on it to follow this method in all cases.

b. The margin shortfall in F&O/CDS

- i. Positions of the client may be closed out to the extent of margin shortfall on the T + 1 basis.
- i. While computing margin shortfall, value of unapproved securities shall not be considered.

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- 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. DPCo 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:

DPCo 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, DPCo may take into account the sale made by the client, positions closed by the client or collections received from the client till a cut-off time (presently 12.45 pm)
- i . While selling the securities/ closing the clients positions, DPCo may not take into constaeration Cheques/Bank drafts/Pay orders deposited by the client with DPCo until clear proceeds of such instruments are received by DPCo in its bank account.
- iii. DPCo shal 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.
DPCo 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.

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

Stock broker shall not be obliged to deliver any securities or pay any money to the client unless and Until the same has been received by the stock broker from the exchange, the clearing corporation / Clearing house or other company or entity liable to make the payment and the client has fulfilled his/her/its obligations first.

The policy and procedure for settlement of shortages in obligations arising out of internal netting of trades is asunder:

- a) The Short delivering client is debited by an amount equivalent to 20% above of closing rate of day prior to Payin/Payout Day. The securities delivered short are purchased from market on T +b2 day and the purchase consideration (inclusive of all statutory taxes & levies) is debited to the short delivering seller client along with reversal entry of provisionally amount debited earlier.
- b) If securities cannot be purchased from market due to any force majeure condition, the short delivering seller is debited at the closing rate on T + 2 day or Auction day on Exchange + 10%

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where the delivery is matched partially or fully at the Exchange Clearing, the delivery and debits/credits shall be as per Exchange Debits and Credits.

- c) In cases of securities having corporate actions all cases of short delivery of cum transactions which cannot be auctioned on cum basis or where the cum basis auctioned on cum basis or where the cum basis auction payout is after the book closure/record date, would be compulsory closed out at higher of 10% above the official closing price on the auction day or the highest traded price from first trading day of the settlement till the auction day.

7. 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.

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

C. F & O / CDS

- i. Where the client has not met Market to Market loss in cash
- i. 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 DPCo. (Presently 20 minutes prior to close of market)

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

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

DPCo 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 the naked or uncovered debits which are more than 7 days' old.

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- Where the account is under investigation by any regulatory body .
- Based on the recommendations made by the Branch Manager 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” close” out 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 compliant either directly with DPCo. or through Exchange relating alleged unauthorized Trades being executed in the 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.

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

9. Deregistering a client

Deregistering a Client: - Notwithstanding anything to the contrary stated in the agreement, the stock broker shall be entitled to terminate the agreement with immediate effect in any of the following circumstances:

- (i) If the action of the client are prima facie illegal / improper or such as to manipulate the price of any securities or disturb the normal/proper functioning of securities or disturb the normal/proper functioning of the market, either alone or in conjunction with others.
- (ii) If there is any commencement of a legal process against the client under any law in force;
- (iii) On the death/lunacy or other disability of the Client;
- (iv) If the client being a partnership firm, has any steps taken by the Client and/or its partners for dissolution of the partnership;
- (v) If the Client suffers any adverse material change in his/her/its financial position or defaults in any other agreement with the Stock broker;
- (vi) If there is reasonable apprehension that the Client is unable to pay its debts or the Client has admitted its inability to pay its debts, as they become payable;
- (vii) If the Client is in breach of any term, condition or covenant of this Agreement;

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- (vi i) If the Client has made any material misrepresentation of facts, including (without limitation) in relation to the Security;
- (ix) If a receiver, administrator or liquidator has been appointed or allowed to be appointed of all or any part of the undertaking of the Client;
- (x) If the Client have taken or suffered to be taken any action for its reorganization, liquidation or dissolution;
- (xi) If the Client has voluntarily or compulsorily become the subject of proceedings under any bankruptcy or insolvency law or being a company, goes into liquidation or has a receiver appointed in respect of its assets or refers itself to the Board for Industrial and Financial Reconstruction or under any other law providing protection as a relief undertaking.
- (xii) If any covenant or warranty of the Client is incorrect or untrue in any material respect;

Inactive Client account: - Client account will be considered as inactive if the client does not trade for Period of one year. Calculation will be done at the beginning of every month and those clients who have-not traded even a single time will be considered as inactive, the shares/ credit ledger balance if any will be transferred to the client within one week of the identifying the client as inactive. The client has to make written request for reactivation of their account.

Trading in Exchange is in Electronic Mode, based on VSAT, leased line, ISDN, Modem and VPN combination of technologies and computer systems to place and route orders. I/we understand that there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt or any break down in our back office/ front end system, or any such other problems/glitch whereby not being able to establish access to the trading system/network, which may be beyond your control and may result in delay in processing or not processing buy or sell Orders either in part or in full/We shall be fully liable and responsible for any such problem/fault.

Client Acceptance of Policies and Procedures stated hereinabove:

I/We have fully understood the same and do hereby sign the same and agree not to call into question the validity, enforceability and applicability of any provision/clauses this document any circumstances what so ever. These Policies and Procedures may be amended / changed unilaterally by the broker, provided the change is informed to me / us with through anyone or more means or methods. 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 always be read along with the agreement and shall be compulsorily referred to while deciding any dispute difference or claim between me / us and stock broke before any court of law / judicial/adjudicating authority including arbitrator / mediator etc.

Client Name: _____

Date: _____

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