

POLICIES AND PROCEDURES APPLICABLE TO CLIENTS OF IIFL SECURITIES LIMITED**1. REFUSAL OF ORDERS FOR PENNY STOCKS**

IIFL Securities Limited ("IIFL") normally offers trading facility to its clients in all the compulsorily dematerialised stocks which are listed on the Stock Exchanges. However IIFL discourages/ restricts trading in penny stocks by the clients as they are susceptible to manipulation and risky for investors and in turn to IIFL.

"Penny Stocks" for this purpose shall include:

- a. Stocks appearing in the list of illiquid securities issued by the Exchanges from time to time.
- b. Stocks which are highly illiquid and have a low market capitalization and 'Z' Group Securities.
- c. Any securities as may be restricted for trading by Exchanges.
- d. Any other securities as may be restricted for trading by IIFL based on its internal evaluation.

As a part of Risk Management System, IIFL restricts clients to buy/ sell in penny stocks only on the basis of 100% upfront margin and on delivery basis. Also IIFL have/may have in place further restrictions in terms of quantity/ value in each/all penny stocks together as notified by its extant circulars. Further in case of Internet Trading clients, IIFL may at any time at its sole discretion block/ restrict the client's online trading terminal to prevent the client from placing orders in such penny stocks through the Online Trading Platform of IIFL. Further in case the client is able to place an order for penny stocks which are restricted by IIFL through Online Trading Platform or otherwise, IIFL may not accept such order.

IIFL shall not be held liable for restricting/ prohibiting trade in penny stocks at any time. Further IIFL shall not be held liable or responsible in any manner whatsoever for any refusal/cancellation of orders for trading in penny stocks/other securities and the Client shall indemnify IIFL in respect of any loss caused to IIFL by virtue of the Client trading in penny stocks.

2. SETTING UP OF CLIENT'S EXPOSURE LIMITS

As part of risk management, IIFL Securities Limited ("IIFL") shall set client's exposure limits depending on the type of securities provided as Margin/ available funds in the client's ledger plus Fixed Deposits/ Bank Guarantees provided by the client and the client profile/ financial status. Exposure limits are also set based on categories of stocks/ position (derivatives) client can trade. Securities that are acceptable as margin and their categorization may be changed by IIFL from time to time at its sole discretion. Further client categorization may also be changed based on various factors including trading pattern of clients, profile/ residential status/ financial status of client.

IIFL from time to time shall apply such haircuts as may be decided by IIFL on the approved securities against which the Exposure limits are given to the client. IIFL may from time to time change the applicable hair cut or apply a haircut higher than that specified by the Regulators/Exchanges as part of its Risk Management System.

Subject to the client's exposure limits, client may trade in securities and/ or take positions in the futures and options segment. Client shall abide by the exposure limits, if any, set by IIFL or by the Exchange or Clearing Corporation or SEBI from time to time. Limits/ Exposure provided shall vary based on the intraday/ delivery/ carry forward positions made by the client.

The exposure limits set by IIFL does not by itself create any right for the Client and are liable to be withdrawn at any time without notice and the client shall bear the loss on account of withdrawal of such limits. The client agrees to compensate IIFL in the event of IIFL suffering any loss, harm or injury on account of exposure given and/or withdrawn.

In case of sale of Securities, such sale may at the discretion of IIFL be provided only to the extent of the availability of securities in the account of the client (DP free Stock, DP lien/ hold marked securities, beneficiary and collateral stock). Further the credit received against sale may be used for exposure as may be decided by IIFL from time to time.

In case of derivatives, Clients shall be allowed to trade only upto the applicable clientwise position limits set by the Exchanges/ Regulators from time to time. IIFL may from time to time demand additional margin from the client in the form of funds or securities if there is a requirement for the same and the client shall be required to provide the same.

3. APPLICABLE BROKERAGE RATES

The Schedule of Brokerage and other charges leviable by IIFL on the clients are provide under the heading "Schedule of Brokerage and Other Charges" in this Form. Within the mentioned scale, the brokerage and other charges as agreed by the client is indicated and duly signed by the client in that section. If there is any upward revision of brokerage, the same will be informed to the client with 15 days prior notice. However all the brokerage and other charges are subject to the maximum limits as prescribed by SEBI/ Exchanges/ Government and other Regulatory authorities from time to time.

4. IMPOSITION OF PENALTY OR DELAYED PAYMENT CHARGES

The clients are required to settle the pay-in/ provide margin within the time limits provided by Exchanges/ SEBI/ IIFL risk management system. In case the client fails to provide the same within the prescribed time, delayed payment charges shall be levied on the client's account on any delayed payments towards trading either in the cash or derivatives segments or on account of any other reason beyond the due date of payment as may be prescribed by IIFL. Such delayed payment charges shall be directly debited to the account of the Client at the end of every month. This is only a penal measure and brings in discipline in the clients to clear the dues in time as IIFL had to clear its obligations to the Exchange as per the time limits set by the Exchanges. IIFL reserves the right of imposition of delayed payment charges on the client account and the client shall be liable for payment of such charges at such rate as may be prescribed by IIFL from time to time.

5. RIGHT TO SELL CLIENTS SECURITIES OR CLOSE CLIENTS POSITIONS, WITHOUT GIVING NOTICE TO THE CLIENT ON ACCOUNT OF NON PAYMENT OF DUES. (LIMITED TO SETTLEMENT/MARGIN OBLIGATIONS)

As a part of its Risk Management System, IIFL shall have the sole discretion to square off the open position of the Client and/ or sell clients' securities (including securities maintained as margin with IIFL and securities lying in client's beneficiary/ demat account) in case the client fails to meet its settlement/ margin obligations in time. The specific securities to be sold and the positions to be squared off shall be decided solely by IIFL. Further, the square off of client's open position or the selling of securities may be executed on such Exchanges and at such price as may be decided by IIFL. IIFL shall have no obligation of communicating the same to the Client. IIFL shall not be responsible for any losses incurred by the client due to such squaring off of the open position of the client. IIFL reserves the right to square off client's open positions or sell clients' securities under following circumstances:

- a. where the limits given to the Client have been breached;
- b. where the Client has defaulted on their existing obligation and / or have failed to make payments / deliver securities to IIFL within the stipulated time period as may be prescribed by IIFL.
- c. In addition to above, in case of equity and currency derivatives transactions,
 - i. where the margin or security placed by the Client with IIFL falls short of the applicable minimum margin as may be required to be maintained by the client;
 - ii. where Mark to Market Loss on the open position has reached the stipulated % of the margins placed with IIFL and the Client(s) have not taken any steps either to replenish the margin or reduce the Mark to Market Loss;
 - iii. if the open position is neither squared off nor converted to Delivery by Client(s) within the stipulated time.

IIFL reserves the right to square off the open position of client and/ or sell client's securities under the prescribed circumstances, however IIFL is not obligated and does not guarantee to square off the open positions and/ or sell client's securities. The client shall be solely responsible for the trading decisions taken by the client. It shall be the responsibility of the client to make payments towards outstanding obligations and/ or applicable margins to IIFL in time irrespective of whether IIFL exercises its right to square off the positions of the client in accordance with the provisions given herein above.

Client shall be solely responsible for any resultant losses incurred to client due to selling of client's securities by IIFL or squaring off the client's open positions or for not doing so. All losses in this regard shall be borne by the CLIENT and IIFL shall be fully indemnified and held harmless by the CLIENT in this behalf.

The CLIENT accepts to comply with IIFL's requirement of payment of Margin/ settlement obligations of the Client, immediately failing which IIFL may sell, dispose, transfer or deal in any other manner the securities already placed with it as Margin/lying in the beneficiary account of IIFL or square-off all or some of the outstanding F&O positions of the CLIENT as it deems fit at its sole discretion without further reference to the CLIENT and any resultant or associated losses that may occur due to such square-off/ sale shall be borne by the CLIENT and IIFL shall be fully indemnified and held harmless by the CLIENT in this behalf at all times.

6. SHORTAGES IN OBLIGATION ARISING OUT OF INTERNAL NETTING OF TRADES FOR EQUITIES OR PHYSICAL SETTLEMENT OF EQUITY DERIVATIVE CONTRACT

In case the client defaults on its existing obligation which results in delivery shortage to the Exchange, the same shall be compulsory auctioned as per defined Exchange procedures from time to time. However, in case the client defaults on its existing obligation and in the event the trade has been internally netted off at IIFL, there could be internal shortages. The client agrees to the laid down policy and procedure followed for handling shortages arising out of internal netting of trades, as mentioned herein below

1. The internal shortages will be marked against the client randomly at the sole discretion of IIFL taking into account the delivery obligations through Exchanges
2. In all such transaction identified as internal shortages, the defaulting selling client would be debited in ledger as per the price calculated at Higher of closing price on T' day as per Daily Bhav Copy (NSE Bhav Copy will be referred first over BSE) + 5% penal charges. Simultaneously, the buyer who was eligible to receive shares on T+1' day would be credited in the ledger with the same amount charged to the defaulting selling client.

3. The internal close out policy for handling internal shortages in Commodities is in line with the exchange policy for handling shortages at exchange level. Apart from this the seller will be additionally debited by 1% penalty. Thus, the buyer will get the credit of the shortage based on the calculation given by exchanges and the Seller will be debited by the same amount + 1% penalty.
4. The defaulting client and corresponding buying clients will not have any claim for Profit/ Loss against IIFL. IIFL shall not be responsible for such losses to the clients on account of such shortages. All losses to the client on this account shall be borne solely by the client and the Client shall indemnify IIFL in this respect.

For all cases of shortages i.e. market or internal, in case client has executed a sale transaction in subsequent settlement on or before the receipt of pay-out for buy transaction in the same scrip, the client needs to ensure the availability of securities through SLBM and/or otherwise in his demat account to meet pay-in obligation for his sale transaction.

Further, in exceptional circumstances like DVP, technical issues at depositories / clearing corporation etc. or such other issue affecting the normal functioning / operations in the opinion of IIFL impacting substantial no. of clients and in such cases the client defaults on its existing obligation wherein the trade has been internally netted off at IIFL, there could be internal shortages. In such cases of delivery failure, the client marked for internal netting of trade, the same shall be met through fresh market purchases. The defaulting client will not be eligible for any profit on account of this

IIFL shall not be responsible for losses to the Client on account of such shortages. Any losses to the client on this account shall be borne solely by the respective client.

7. CONDITIONS UNDER WHICH CLIENT MAY NOT BE ALLOWED TO TAKE FURTHER POSITIONS OR BROKER MAY CLOSE EXISTING POSITIONS OF CLIENT

In addition to the conditions as provided under the policy of right to sell securities and close out client's open position as detailed in point 5 above, IIFL shall have the right to refuse to execute trades/ allow the client to take further positions and/ or close out the existing positions of client under following circumstances:

- a. As a result of any Regulatory directive/ restriction;
- b. Non-receipt of funds/ securities and/ or bouncing of cheque received from the client towards the obligations/margin/ ledger balances;
- c. Due to technical reasons;
- d. securities breaching the limits specified by the Exchanges/ regulators from time to time
- e. In case of failure to meet margin including mark to market margins by the client;
- f. In case securities to be transacted by client are not in dematerialized form
- g. Any other conditions as may be specified by IIFL from time to time in view of market conditions, regulatory requirements, internal policies etc and risk management system;
- h. Due to any force majeure event beyond the control of IIFL

IIFL shall not be responsible for any loss incurred and the client shall indemnify IIFL in this regard.

8. TEMPORARILY SUSPENDING OR CLOSING OF CLIENT'S ACCOUNT AT THE CLIENT'S REQUEST

IIFL may suspend or close the trading account of the client pursuant to SEBI or any other Regulatory directive for such period as may be prescribed by the respective Regulator. IIFL may further at its sole discretion and with/without information to the CLIENT, prohibit or restrict or block the CLIENT's access to the use of the web site or related services and the CLIENT's ability to trade due to market conditions and other internal policies including policy with respect to prevention of money laundering.

Client can initiate temporary suspension/ closure of its account at any time by giving a request to IIFL in writing 15 days in advance. However, such suspension/ closure will be effected subject to clearance of all dues and settlement obligations by the client.

Trades in the account of the client during the period of such temporary suspension shall not be permitted.

Notwithstanding any such suspension/ closure, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered into prior to such closure/ suspension shall continue to subsist and binding on the client.

In case the account has been temporarily suspended at the request of the client, the account shall be reactivated only on submission of a written request for reactivation by the client.

9. DEREGISTRATION OF A CLIENT

Deregistration of the client/ Termination shall be at the sole discretion of IIFL. IIFL may deregister the client if the client breaches the terms and conditions of the member-client agreement or provides any false information or declarations. Further IIFL may deregister the client if the client is suspected to be involved in any activities in violation of applicable Rules and Regulations. Further the client may be deregistered due to any Regulatory directive, market conditions and other internal policies of IIFL including policy with respect to prevention of money laundering. Such deregistration/termination shall not effect the rights and liabilities of the parties in respect of the transactions executed before the date of such deregistration/ termination.

10. TREATMENT OF INACTIVE ACCOUNTS

Pursuant to SEBI and Exchange directive, Trading and/or demat account will be considered as 'Inactive account' if the client has not operated the same for continuous period of **one year**. Such inactive account will be blocked for further transactions by the client. The client will have to submit following documents / confirmation, for re-activation of such blocked account:

1. Call the customer care centre identifying himself (through validation questions) and requesting for activation of account for placing orders / transacting in the account; OR
2. Client can give the duly signed request in writing at any Branch offices of IIFL Securities Limited; OR
3. By placing the request for re-activation of account through the Internet Trading portal.

During the blocked period if there is any debit / dues to IIFL Securities Limited in client's account, IIFL shall have the authority to liquidate the client's position to the required extent during the blocked period.

During the blocked period if any corporate actions or pay-outs are due for return to the client, the same will be affected / returned by IIFL to the client's account.

11. LIEN

All monies, securities and/ or other property in the Bank/ DP Account or that may be held by the Stock Broker on the client's account shall be held at the sole risk and cost of the client and subject to a lien for the discharge of any and all indebtedness or any other obligation that the Client may have to Stock Broker, irrespective of whether such obligation of the client is disputed by the client. All of the Client's securities and/ or other property shall be held by Stock Broker as security for the payment of any such obligation or indebtedness to Stock Broker.

In enforcing its lien, Stock Broker at its sole discretion may determine which securities and/ or other property are to be sold or which contracts are to be enforced.

12. PAYMENT

12.1 Time of Payment

12.1.1 The Client shall make all remittances to Stock Broker (i.e. payment for all purchase transactions plus taxes, brokerage, handling charges and depository related fees and transaction fees of Stock Broker) by the value date for each transaction. The value date for all purchases will be the pay-in day less two days, where the pay-in day is specified by the Exchange Clearing House for the relevant settlement period. Provided that subject to Clause 6.1.4 a notional debit may be made with respect to the Limit on the last day of the Settlement Cycle, notwithstanding that actual payment is due on a later date and such notional debit shall be reversed on receipt of payment.

12.1.2 The Client will also have to make a margin payment for shares purchased and sold either for square-off or delivery or on derivative contracts. The amount will be as charged by the relevant Exchange. However, in case the Exchange charges a margin amount over and above the normal margins, Stock Broker can make a margin call to the Client who will need to have to pay the relevant margin as charged by the Exchange.

12.1.3 Stock Broker shall remit funds to the Client (i.e. payment for all sale transactions less taxes, brokerage, handling charges and depository related fees and transaction fees of Stock Broker), less any amounts deducted for shortages by the value date. The value date for all sales will be pay-out day plus two days where the pay-out day is specified by the Exchange Clearing House for the relevant settlement period.

12.1.4 In the event of the Client having made both sales and purchases during a Settlement Cycle on the same Stock Exchange, the amount due from and to the Client shall be netted off and only the difference shall be payable by or to the Client. A notional debit or credit as the case may be, may be made to the Limit at the end of day until the actual payment is made.

12.2 Mode of Payment

No cash payment will be received from/ made to the client as per the extract SEBI/ Exchange/ Income Tax/ PMLA Regulation, Guidelines, Circulars, etc. Accordingly IIFL will not be responsible for any claim of receipt/ payment in cash by client from/ to IIFL. In the case of a purchase transaction, the Client shall remit funds within the time period provided in subclause 6.1.1 above to Stock Broker in any of the following ways:

- 12.2.1 Acceptable credit or debit card, provided Stock Broker has agreed to receipt of payment in this manner, or
- 12.2.2 Authorized electronic transfer of funds from Client's Bank Account to Stock Broker's bank account in the same Designated Bank; or
- 12.2.3 Demand draft in favour of "IIFL Securities limited – (Client's Login id) or account payee crossed cheques drawn on designated bank or any other bank with which the Client maintains a regular account, proof of which is provided at the time of payment. In the case of sub-clauses (1) and (2) credit will be given to the Client immediately on authentication of payment authorization, however Client has to intimate Stock Broker immediately after making payment through option as mentioned in subclauses (1) and (2). In the case of (3) credit will be given only on receipt of clear funds.
- 12.2.4 Payment referred to in sub-clauses (1), (2) & (3) shall be accepted only from Client's account.
- 12.2.5 Payment shall be made by the Client only as referred to in sub-clauses (1), (2) & (3) above. Stock Broker shall not accept/ acknowledge/ give credit for any payment made in cash.
- 12.2.6 The client agrees to pay Rs.500/- to Stockbroker in case if the cheque deposited by client is bounced/ uncleared/rejected due to any reason.
The same shall be deducted from the client's ledger account held with the Stockbroker.
- 12.3 In the case of a sale transaction, Stock Broker shall remit funds to the Client within the time period provided in subclause 6.1.3 above, provided the Client has delivered the securities sold to Stock Broker within the time prescribed in clause 8.1.1, in any of the following ways as may be requested by the Client:
- 12.3.1 Electronic transfer of funds into the Bank Account of the Client opened with the Designated Bank.
- 12.3.2 Electronic transfer of funds into any other bank account of the Client as may be specified by the Client, and accepted by Stock Broker; or
- 12.3.3 Account payee cheque.
- 12.3.4 All payments shall be made only in the name of the client.
- 12.4 Please note that the mode of payment should be only by way of account payee crossed cheques or Demand draft in favour of "IIFL Securities limited – (Client's Login id). No cash receipts payments will be entertained for any transactions made by the client. IIFL will not be responsible for any kind of claims raised by the clients regarding payment made in cash. Mobile number is compulsory for opening of Demat/ Trading account with IIFL.
- 12.5 Interface with a payment gateway will be offered to the Client at the portal itself.
- 12.6 **DEFAULT IN PAYMENT:** The Client agrees that Stock Broker may set off his/ her credit balances on NSE, BSE, MCX and NCDEX hereinafter referred to as the "Exchanges" against the debit balances in one or more accounts of the Client in relation to the said Exchanges and segments of the Exchanges.
- Without prejudice to the Stock Broker's other rights (including the right to refer a matter to arbitration), Stock Broker shall be entitled to liquidate/ close out all or any of the Client's positions in cash segment or derivative segment on any Exchange for nonpayment of margins or other amounts, outstanding debts, etc. and adjust the proceeds of such liquidation/ close out, if any, against the Client's liabilities/ obligations. Any and all losses and financial charges on account of such liquidation/ closing-out shall be charged to and borne by the Client.
- On a default by the Client to remit any monies payable to Stock Broker, Stock Broker shall be entitled to appropriate the monies maintained by the Client in the Minimum Margin Deposit towards its dues. The Minimum Margin Deposit with Stock Broker shall be subject to a lien for the discharge of any and all indebtedness or any other obligation that the Client may have to Stock Broker. The Ebroking Services shall be suspended to the Client until such time as the Client replenishes funds adequate to maintain the Minimum Margin Deposit at the stipulated level.
- Not with standing anything contained in these present, any amounts which are overdue from the Client towards trading either in the cash or derivative segments or on account of any other reason the Client will be charged delayed payment charges at the rate of 2% per month or such other rate as may be determined by the Stock Broker.
- The Client hereby authorises the Stock Broker to directly debit the same to the account of the Client.
- 12.7 In the event the client makes the specific request to the stockbroker for the physical documents instead of electronic/digitally signed documents including contract notes/ statement of accounts, etc and subject to the stockbroker being in a position to do so; the client agrees to pay all such amounts that the stockbroker may charge to cover the operational cost that the stockbroker incurs in preparing and delivering the said communications, documents, reports and alerts.
- 12.8 The Client hereby agrees and understands that in case of any noncompliance and/ or default by the Client such as cheque bouncing, trade change, F&O short margin, UCC violation, price rigging or for any other matters as may be decided by Stock broker from time to time, without prejudice to the Stock Broker's other rights, Stock Broker may levy charges/ penalty(ies) on the Client and debit such charges/ penalty in the Client's account.
- 12.9 The Client authorizes the Stock Broker to use his discretion to buy, sell or close out any part or all of the contracts held in the Clients account

with the Stock Broker for the protection of the Stock Broker, in case of any default by the Client. The Client agrees to reimburse any or all such incidental expenses incurred by the Stock Broker.

All the above policies and procedures of IIFL as applicable to the client's trading account are subject to change/ updation by IIFL from time to time. The updated policies and procedures of IIFL shall be posted on the website of IIFL www.indiaonline.com and communicated to client through Circulars and e-mails.