

## RIGHTS AND OBLIGATIONS OF STOCK BROKERS, SUB-BROKERS AND CLIENTS AS PRESCRIBED BY SEBI AND STOCK EXCHANGES

1. The client shall invest/trade in those securities/contracts/other instruments admitted to dealings on the Exchanges as defined in the Rules, Byelaws and Regulations of Exchanges/ Securities and Exchange Board of India (SEBI) and circulars/notices issued there under from time to time.
2. The stock broker, sub-broker and the client shall be bound by all the Rules, Byelaws and Regulations of the Exchange and circulars/notices issued there under and Rules and Regulations of SEBI and relevant notifications of Government authorities as may be in force from time to time.
3. The client shall satisfy itself of the capacity of the stock broker to deal in securities and/or deal in derivatives contracts and wishes to execute its orders through the stock broker and the client shall from time to time continue to satisfy itself of such capability of the stock broker before executing orders through the stock broker.
4. The stock broker shall continuously satisfy itself about the genuineness and financial soundness of the client and investment objectives relevant to the services to be provided.
5. The stock broker shall take steps to make the client aware of the precise nature of the Stock broker's liability for business to be conducted, including any limitations, the liability and the capacity in which the stock broker acts.
6. The sub-broker shall provide necessary assistance and co-operate with the stock broker in all its dealings with the client(s).

### CLIENT INFORMATION

7. The client shall furnish all such details in full as are required by the stock broker in "Account Opening Form" with supporting details, made mandatory by stock exchanges/SEBI from time to time.
8. The client shall familiarize himself with all the mandatory provisions in the Account Opening documents. Any additional clauses or documents specified by the stock broker shall be non-mandatory, as per terms & conditions accepted by the client.
9. The client shall immediately notify the stock broker in writing if there is any change in the information in the 'account opening form' as provided at the time of account opening and thereafter; including the information on winding up petition/insolvency petition or any litigation which may have material bearing on his capacity. The client shall provide/update the financial information to the stock broker on a periodic basis.
10. The stock broker and sub-broker shall maintain all the details of the client as mentioned in the account opening form or any other information pertaining to the client, confidentially and that they shall not disclose the same to any person/authority except as required under any law/regulatory requirements. Provided however that the stock broker may so disclose information about his client to any person or authority with the express permission of the client.

### MARGINS

11. The client shall pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the stock broker or the Exchange or as may be directed by SEBI from time to time as applicable to the segment(s) in which the client trades. The stock broker is permitted in its sole and absolute discretion to collect additional margins (even though not required by the Exchange, Clearing House/Clearing Corporation or SEBI) and the client shall be obliged to pay such margins within the stipulated time.
12. The client understands that payment of margins by the client does not necessarily imply complete satisfaction of all dues. In spite of consistently having paid margins, the client may, on the settlement of its trade, be obliged to pay (or entitled to receive) such further sums as the contract may dictate/require.

### TRANSACTIONS AND SETTLEMENTS

13. The client shall give any order for buy or sell of a security/derivatives contract in writing or in such form or manner, as may be mutually agreed between the client and the stock broker. The stock broker shall ensure to place orders and execute the trades of the client, only in the Unique Client Code assigned to that client.
14. The stock broker shall inform the client and keep him apprised about trading/settlement cycles, delivery/payment schedules, any changes therein from time to time, and it shall be the responsibility in turn of the client to comply with such schedules/procedures of the relevant stock exchange where the trade is executed.
15. The stock broker shall ensure that the money/securities deposited by the client shall be kept in a separate account, distinct from his/its own account or account of any other client and shall not be used by the stock broker for himself/itself or for any other client or for any purpose other than the purposes mentioned in Rules, Regulations, circulars, notices, guidelines of SEBI and/or Rules, Regulations, Bye-laws, circulars and notices of Exchange.
16. Where the Exchange(s) cancels trade(s) suo moto all such trades including the trade/s done on behalf of the client shall ipso facto stand cancelled, stock broker shall be entitled to cancel the respective contract(s) with client(s).
17. The transactions executed on the Exchange are subject to Rules, Byelaws and Regulations and circulars/notices issued there under of the Exchanges where the trade is executed and all parties to such trade shall have submitted to the jurisdiction of such court as may be specified by the Byelaws and Regulations of the Exchanges where the trade is executed for the purpose of giving effect to the provisions of the Rules, Byelaws and Regulations of the Exchanges and the circulars / notices issued there under.

**BROKERAGE**

18. The Client shall pay to the stock broker brokerage and statutory levies as are prevailing from time to time and as they apply to the Client's account, transactions and to the services that stock broker renders to the Client. The stock broker shall not charge brokerage more than the maximum brokerage permissible as per the rules, regulations and bye-laws of the relevant stock exchanges and/or rules and regulations of SEBI.

**LIQUIDATION AND CLOSE OUT OF POSITION**

19. Without prejudice to the stock broker's other rights (including the right to refer a matter to arbitration), the client understands that the stock broker shall be entitled to liquidate/close out all or any of the client's positions for nonpayment of margins or other amounts, outstanding debts, etc. within 5 days from the date of pay in without intimating to the client 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.
20. In the event of death or insolvency of the client or his/its otherwise becoming incapable of receiving and paying for or delivering or transferring securities which the client has ordered to be bought or sold, stock broker may close out the transaction of the client and claim losses, if any, against the estate of the client. The client or his nominees, successors, heirs and assignee shall be entitled to any surplus which may result there from. The client shall note that transfer of funds/securities in favor of a Nominee shall be valid discharge by the stock broker against the legal heir.
21. The stock broker shall bring to the notice of the relevant Exchange the information about default in payment / delivery and related aspects by a client. In case where defaulting client is a corporate entity/partnership/proprietary firm or any other artificial legal entity, then the name(s) of Director(s) / Promoter(s) / Partner(s) / Proprietor as the case may be, shall also be communicated by the stock broker to the relevant Exchange(s).

**DISPUTE RESOLUTION**

22. The stock broker shall provide the client with the relevant contact details of the concerned Exchanges and SEBI.
23. The stock broker shall co-operate in redressing grievances of the client in respect of all transactions routed through it and in removing objections for bad delivery of shares, rectification of bad delivery, etc.
24. The client and the stock broker shall refer any claims and/or disputes with respect to deposits, margin money, etc., to arbitration as per the Rules, Byelaws and Regulations of the Exchanges where the trade is executed and circulars/notices issued there under as may be in force from time to time.
25. The stock broker shall ensure faster settlement of any arbitration proceedings arising out of the transactions entered into between him vis-à-vis the client and he shall be liable to implement the arbitration awards made in such proceedings.
26. The client/stock-broker understands that the instructions issued by

an authorized representative for dispute resolution, if any, of the client/stock-broker shall be binding on the client/stock-broker in accordance with the letter authorizing the said representative to deal on behalf of the said client/stock-broker.

**TERMINATION OF RELATIONSHIP**

27. This relationship between the stock broker and the client shall be terminated; if the stock broker for any reason ceases to be a member of the stock exchange including cessation of membership by reason of the stock broker's default, death, resignation or expulsion or if the certificate is cancelled by the Board.
28. The stock broker, sub-broker and the client shall be entitled to terminate the relationship between them without giving any reasons to the other party, after giving notice in writing of not less than one month to the other parties. Notwithstanding any such termination, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered into prior to the termination of this relationship shall continue to subsist and vest in / be binding on the respective parties or his / its respective heirs, executors, administrators, legal representatives or successors, as the case may be.
29. In the event of demise/insolvency of the sub-broker or the cancellation of his/its registration with the Board or/withdrawal of recognition of the sub-broker by the stock exchange and/or termination of the agreement with the sub broker by the stock broker, for any reason whatsoever, the client shall be informed of such termination and the client shall be deemed to be the direct client of the stock broker and all clauses in the 'Rights and Obligations' document(s) governing the stock broker, subbroker and client shall continue to be in force as it is, unless the client intimates to the stock broker his/its intention to terminate their relationship by giving a notice in writing of not less than one month.

**ADDITIONAL RIGHTS AND OBLIGATIONS**

30. The stock broker shall ensure due protection to the client regarding client's rights to dividends, rights or bonus shares, etc. in respect of transactions routed through it and it shall not do anything which is likely to harm the interest of the client with whom and for whom they may have had transactions in securities.
31. The stock broker and client shall reconcile and settle their accounts from time to time as per the Rules, Regulations, ByeLaws, Circulars, Notices and Guidelines issued by SEBI and the relevant Exchanges where the trade is executed.
32. The stock broker shall issue a contract note to his constituents for trades executed in such format as may be prescribed by the Exchange from time to time containing records of all transactions including details of order number, trade number, trade time, trade price, trade quantity, details of the derivatives contract, client code, brokerage, all charges levied etc. and with all other relevant details as required therein to be filled in and issued in such manner and within such time as prescribed by the Exchange. The stock broker shall send contract notes to the investors within one working day of the execution of the trades in hard copy and/or in electronic form using digital signature.

33. The stock broker shall make pay out of funds or delivery of securities, as the case may be, to the Client within one working day of receipt of the payout from the relevant Exchange where the trade is executed unless otherwise specified by the client and subject to such terms and conditions as may be prescribed by the relevant Exchange from time to time where the trade is executed.
34. The stock broker shall send a complete 'Statement of Accounts' for both funds and securities in respect of each of its clients in such periodicity and format within such time, as may be prescribed by the relevant Exchange, from time to time, where the trade is executed. The Statement shall also state that the client shall report errors, if any, in the Statement within such time as may be prescribed by the relevant Exchange from time to time where the trade was executed, from the receipt thereof to the Stock broker.
35. The stock broker shall send daily margin statements to the clients. Daily Margin statement should include, inter-alia, details of collateral deposited, collateral utilized and collateral status (available balance/due from client) with break up in terms of cash, Fixed Deposit Receipts (FDRs), Bank Guarantee and securities.
36. The Client shall ensure that it has the required legal capacity to, and is authorized to, enter into the relationship with stock broker and is capable of performing his obligations and undertakings hereunder. All actions required to be taken to ensure compliance of all the transactions, which the Client may enter into shall be completed by the Client prior to such transaction being entered into.

#### **ELECTRONIC CONTRACT NOTES (ECN)**

37. In case, client opts to receive the contract note in electronic form, he shall provide an appropriate e-mail id to the stock broker. The client shall communicate to the stock broker any change in the email-id through a physical letter. If the client has opted for internet trading, the request for change of email id may be made through the secured access by way of client specific user id and password.
38. The stock broker shall ensure that all ECNs sent through the email shall be digitally signed, encrypted, nontamperable and in compliance with the provisions of the IT Act, 2000. In case, ECN is sent through e-mail as an attachment, the attached file shall also be secured with the digital signature, encrypted and nontamperable.
39. The client shall note that non-receipt of bounced mail notification by the stock broker shall amount to delivery of the contract note at the e-mail ID of the client.
40. The stockbroker shall retain ECN and acknowledgement of the e-mail in a soft and nontamperable form in the manner prescribed by the exchange in compliance with the provisions of the IT Act, 2000 and as per the extant rules / regulations / circulars / guidelines issued by SEBI / Stock Exchanges from time to time. The proof of delivery i.e., log report generated by the system at the time of sending the contract notes shall be

maintained by the stock broker for the specified period under the extant regulations of SEBI / stock exchanges. The log report shall provide the details of the contract notes that are not delivered to the client/e-mails rejected or bounced back. The stock broker shall take all possible steps to ensure receipt of notification of bounced mails by him at all times within the stipulated time period under the extant regulations of SEBI / stock exchanges.

41. The stock broker shall continue to send contract notes in the physical mode to such clients who do not opt to receive the contract notes in the electronic form. Wherever the ECNs have not been delivered to the client or has been rejected (bouncing of mails) by the e-mail ID of the client, the stock broker shall send a physical contract note to the client within the stipulated time under the extant regulations of SEBI/stock exchanges and maintain the proof of delivery of such physical contract notes.
42. In addition to the e-mail communication of the ECNs to the client, the stock broker shall simultaneously publish the ECN on his designated web-site, if any, in a secured way and enable relevant access to the clients and for this purpose, shall allot a unique user name and password to the client, with an option to the client to save the contract note electronically and/or take a print out of the same.

#### **LAW AND JURISDICTION**

43. In addition to the specific rights set out in this document, the stock broker, sub-broker and the client shall be entitled to exercise any other rights which the stock broker or the client may have under the Rules, Bye-laws and Regulations of the Exchanges in which the client chooses to trade and circulars/notices issued there under or Rules and Regulations of SEBI.
44. The provisions of this document shall always be subject to Government notifications, any rules, regulations, guidelines and circulars/notices issued by SEBI and Rules, Regulations and Bye laws of the relevant stock exchanges, where the trade is executed, that may be in force from time to time.
45. The stock broker and the client shall abide by any award passed by the Arbitrator(s) under the Arbitration and Conciliation Act, 1996. However, there is also a provision of appeal within the stock exchanges, if either party is not satisfied with the arbitration award.
46. Words and expressions which are used in this document but which are not defined herein shall, unless the context otherwise requires, have the same meaning as assigned thereto in the Rules, Byelaws and Regulations and circulars/notices issued there under of the Exchanges/SEBI.
47. All additional voluntary clauses / document added by the stock broker should not be in contravention with rules / regulations / notices / circulars of Exchanges / SEBI. Any changes in such voluntary clauses/document(s) need to be preceded by a notice of 15 days. Any changes in the rights and obligations which are specified by Exchanges/SEBI shall also be brought to the notice of the clients.



48. If the rights and obligations of the parties hereto are altered by virtue of change in Rules and regulations of SEBI or Bye-laws, Rules and Regulations of the relevant stock Exchanges where the trade is executed, such changes shall be deemed to have been incorporated herein in modification of the rights and obligations of the parties mentioned in this document.

**INTERNET & WIRELESS TECHNOLOGY BASED TRADING FACILITY PROVIDED BY STOCK BROKERS TO CLIENT** (All the clauses mentioned in the 'Rights and Obligations' document(s) shall be applicable. Additionally, the clauses mentioned herein shall also be applicable.)

1. Stock broker is eligible for providing Internet based trading (IBT) and securities trading through the use of wireless technology that shall include the use of devices such as mobile phone, laptop with data card, etc. which use Internet Protocol (IP). The stock broker shall comply with all requirements applicable to internet based trading/securities trading using wireless technology as may be specified by SEBI & the Exchanges from time to time.
2. The client is desirous of investing/trading in securities and for this purpose, the client is desirous of using either the internet based trading facility or the facility for securities trading through use of wireless technology. The Stock broker shall provide the Stock broker's IBT Service to the Client, and the Client shall avail of the Stock broker's IBT Service, on and subject to SEBI/Exchanges Provisions and the terms and conditions specified on the Stock broker's IBT Web Site provided that they are in line with the norms prescribed by Exchanges/SEBI.
3. The stock broker shall bring to the notice of client the features, risks, responsibilities, obligations and liabilities associated with securities trading through wireless technology/internet/smart order routing or any other technology should be brought to the notice of the client by the stock broker.
4. The stock broker shall make the client aware that the Stock Broker's IBT system itself generates the initial password and its password policy as stipulated in line with norms prescribed by Exchanges/SEBI.
5. The Client shall be responsible for keeping the Username and Password confidential and secure and shall be solely responsible for all orders entered and transactions done by any person whosoever through the Stock broker's IBT System using the

Client's Username and / or Password whether or not such person was authorized to do so. Also the client is aware that authentication technologies and strict security measures are required for the internet trading / securities trading through wireless technology through order routed system and undertakes to ensure that the password of the client and/or his authorized representative are not revealed to any third party including employees and dealers of the stock broker

6. The Client shall immediately notify the Stock broker in writing if he forgets his password, discovers security flaw in Stock Broker's IBT System, discovers/suspects discrepancies/unauthorized access through his username/password/account with full details of such unauthorized use, the date, the manner and the transactions effected pursuant to such unauthorized use, etc.
7. The Client is fully aware of and understands the risks associated with availing of a service for routing orders over the internet/securities trading through wireless technology and Client shall be fully liable and responsible for any and all acts done in the Client's Username/password in any manner whatsoever.
8. The stock broker shall send the order/trade confirmation through email to the client at his request. The client is aware that the order/ trade confirmation is also provided on the web portal. In case client is trading using wireless technology, the stock broker shall send the order/trade confirmation on the device of the client.
9. The client is aware that trading over the internet involves many uncertain factors and complex hardware, software, systems, communication lines, peripherals, etc. are susceptible to interruptions and dislocations. The Stock broker and the Exchange do not make any representation or warranty that the Stock broker's IBT Service will be available to the Client at all times without any interruption.
10. The Client shall not have any claim against the Exchange or the Stock broker on account of any suspension, interruption, nonavailability or malfunctioning of the Stock broker's IBT System or Service or the Exchange's service or systems or nonexecution of his orders due to any link/system failure at the Client/Stock brokers/Exchange end for any reason beyond the control of the stock broker/Exchanges.

**RIGHTS AND OBLIGATIONS OF STOCK BROKERS AND CLIENTS FOR MARGIN TRADING FUNDING (MTF)****Part A: Rights and Obligations - Mandatory Clauses of BSE**

1. Stock Broker/ Trading Member is eligible to provide Margin Trading Funding (MTF) in accordance with SEBI & Exchange Guidelines as specified from time to time.
2. Stock Broker/ Trading Member desirous of extending MTF to their clients is required to obtain prior permission of BSE. Stock Broker/ Trading Member may note that BSE has the right to withdraw the permission at anytime.
3. Stock Broker/ Trading Member shall extend the MTF to the client, on such terms and conditions as specified by the Stock Exchange / SEBI from time to time. Stock Broker/ Trading Member and the client shall abide by the requirements of the margin trading framework, including rights and obligations, as prescribed by Stock Exchange/ SEBI/ Stock Broker/ Trading Member.
4. Stock Broker/ Trading Member shall intimate all the terms and conditions, including maximum allowable exposure, specific stock exposures etc., as well as the rights and obligations to the client desirous of availing MTF.
5. Stock Broker/ Trading Member may, at its sole and absolute discretion, increase the limit of initial and/or maintenance margin, from time to time. The Client shall abide by such revision, and where there is an upward revision of such margin amount, he agrees to make up the shortfall within such time as the Stock Broker/ Trading Member may permit. It may however, be noted that the initial/ maintenance margins shall never be lower than that prescribed by Stock Exchange/ SEBI.
6. Stock Broker/ Trading Member shall provide MTF only in respect of such shares, as may be permitted by Stock Exchange/ SEBI.
7. Stock Broker/ Trading Member shall liquidate the securities and other collateral, if the client fails to meet the margin call to comply with the margin requirement as specified by Stock Exchange/ SEBI/ Stock Broker/ Trading Member. In this regard, Stock Broker/ Trading Member shall also list down situations/ conditions in which the securities may be liquidated (Stock Broker/ Trading Member to list down situations/ conditions which are included in the subsequent part of the T&C below).
8. Stock Broker/ Trading Member shall not use the funds of one client to provide MTF to another client, even if the same is authorized by the first client.
9. The stocks deposited as collateral with the Stock Broker/ Trading Member for availing margin trading Funding (Collaterals) and the stocks purchased under the margin trading Funding (Funded stocks) shall be identifiable separately and no comingling shall be permitted for the purpose of computing funding amount
10. IPF shall not be available for transactions done on the Stock Exchange, through MTF, in case of any losses suffered in connection with the MTF availed by the client.

The rights and obligations prescribed hereinabove shall be read in conjunction with the rights and obligations as prescribed under SEBI circular no. CIR/ MIRSD/ 16/ 2011 dated August 22, 2011.

## **Part B: Rights and Obligations - Mandatory Clauses of NSE**

### **CLIENT RIGHTS**

1. Client shall receive all communications in a mode mutually agreed between the broker and the client regarding confirmation of orders/trades, margin calls, decision to liquidate the position / security.
2. Client shall be free to take the delivery of the securities at any time by repaying the amounts that was paid by the Stock Broker to the Exchange towards securities after paying all dues.
3. Client has a right to change the securities collateral offered for Margin Trading Funding at any time so long as the securities so offered are approved for margin trading Funding.
4. Client may close / terminate the Margin Trading Account at any time after paying the dues

### **CLIENT OBLIGATIONS**

1. Client shall, in writing in his own hand or in any irrefutable electronic method, agree to avail of Margin Trading Funding in accordance with the terms and conditions of Margin Trading Funding offered by the broker, method of communication for confirmation of orders/trades, margin calls and calls for liquidation of collateral/security/position.
2. Client shall inform the broker of its intent to shift the identified transaction under Margin Trading Funding within the time lines specified by the broker failing which the transaction will be treated under the normal trading Funding
3. Client shall place the margin amounts as the Stock Broker may specify to the client from time to time.
4. On receipt of 'margin call', the client shall make good such deficiency in the amount of margin placed with the Stock Broker within such time as the Stock Broker may specify.
5. By agreeing to avail Margin Trading Funding with the broker, client is deemed to have authorized the broker to retain and/or pledge the securities provided as collateral or purchased under the Margin Trading Funding till the amount due in respect of the said transaction including the dues to the broker is paid in full by the client.
6. Client shall lodge protest or disagreement with any transaction done under the margin trading Funding within the timelines as may be agreed between the client and broker.

### **STOCK BROKER RIGHTS**

1. Stock broker shall agree with the client the terms and condition before extending Margin Trading Funding to such client. However, for clients who already have existing trading relationship and want to avail of Margin Trading Funding, stock broker may take consent in writing in his own hand or in any irrefutable electronic method after stock broker has communicated the terms and conditions of Margin Trading Funding to such existing clients.
2. The terms and conditions of Margin Trading Funding shall be identified separately, in a distinct section if given as a part of account opening agreement.
3. The mode of communication of order confirmation, margin calls or liquidation of position/security shall be as agreed between the broker and the client and shall be in writing in his own hand or in any irrefutable electronic method. Stock broker shall prescribe and communicate its margin policies on haircuts/ VAR margins subject to minimum requirements specified by SEBI and exchanges from time to time.
4. The Stock Broker shall monitor and review on a continuous basis the client's position with regard to MTF.

5. Any transaction to be considered for exposure to MTF shall be determined as per the policy of the broker provided that such determination shall happen not later than T + 1 day.
6. If the transaction is entered under margin trading account, there will not be any further confirmation that it is margin trading transaction other than contract note.
7. In case the determination happens after the issuance of contract, the broker shall issue appropriate records to communicate to Client the change in status of transaction from Normal to Margin trading and should include information like the original contract number and the margin statement and the changed data.
8. The Stock Broker shall make a "margin call" requiring the client to place such margin; any such call shall clearly indicate the additional/deficient margin to be made good.
9. Time period for liquidation of position/security shall be in accordance declared policy of the broker as applicable to all MTF clients consistently. However, the same should not be later than 5 working (trading) days from the day of "margin call". If securities are liquidated, the contract note issued for such margin call related transactions shall carry an asterisk or identifier that the transaction has arisen out of margin call.
10. The daily margin statements sent by broker to the client shall identify the margin/collateral for Margin Trading separately.
11. Margin Trading Accounts where there was no transactions for 90 days shall be settled immediately.
12. The stocks deposited as collateral with the stock broker for availing margin trading Funding (Collaterals) and the stocks purchased under the margin trading Funding (Funded stocks) shall be identifiable separately and there shall not be any comingling for the purpose of computing funding amount.
13. Stock Broker shall close/terminate the account of the client forthwith upon receipt of such a request from the client subject to the condition that the client has paid dues under Margin Trading Funding.

## **PART C: Terms and Conditions of IIFL Capital Services Limited for trading in Margin Trading Funding**

### **DEFINITIONS:**

The terms and conditions prescribed hereunder form part of account opening form, shall be read in conjunction with the rights and obligations as prescribed under SEBI circular no. CIR/MIRSD/16/2011 dated August 22, 2011 and the Rules, Regulations, Bye Laws, Rights and Obligation, Guidelines, Circulars issued by SEBI and Exchanges from time to time.

In these terms and conditions, unless indicated otherwise, specific words and phrases have the meaning as stated hereunder (arranged alphabetically for ease of reading) and the client confirms having read and understood these words and phrases:

- "Alerts" means a customized SMS or Email Communication sent to clients on their registered E-mail Address or Mobile Number
- "Additional Margin" shall mean the incremental margin required to safeguard Margin Trading positions from being squared off.
- "Client" means a constituent of IIFL Capital who have in his own hand or in any irrefutably electronic mode, agreed to have availed the Funding of Margin Trading and executed Power of Attorney in favour of IIFL Capital and has an existing and valid Account with IIFL Capital. Client shall include Individual, Company, Partnership firm, Trust, Hindu Undivided Family, Association of Person and Body of Individuals etc.

- “Communication in electronic mode” means alerts send to clients registered E-mail Address or Mobile Number.
- “IIFL Capital Services Limited (herein after referred as IIFL Capital)” means Stock Broker of National Stock Exchange of India Limited (TM Code: 10975) and BSE Limited (Clg No: 179) having obtained prior permission from respective exchange to provide Margin Trading Funding to its clients.
- “Margin Trading Funding” is the product being offered by IIFL Capital to Clients under the framework of rules, regulations issued by Exchanges/ SEBI from time to time.
- “SMS” means “Short Messaging Service”
- “Securities” means all funded and collateral stocks that are permissible set of securities as provided by NSE and BSE from time to time under the margin trading Funding.

#### SECURITIES ELIGIBLE FOR MARGIN TRADING:

- Equity Shares that are classified as 'Group I security' as per SEBI Master circular No. SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016, shall be eligible for margin trading Funding and as amended from time and time IIFL Capital reserves the right to offer or not offer MTF on such list of securities as specified from time to time.

#### MARGIN TRADING FUNDING

- IIFL Capital at all times shall have the liberty to exercise its right in its sole discretion to determine the extent to which the MTF be made available to the Client.
- IIFL Capital shall not be bound to grant MTF to the Client (which decision shall be at the sole and exclusive discretion of IIFL Capital ) and IIFL Capital shall not be required to provide any reasons thereof nor shall IIFL Capital be liable for any damages (whether direct or consequential or whether financial or non-financial) to the Client by reason of IIFL Capital refusal to grant MTF to the Client.
- IIFL Capital will extend margin trading Funding on eligible list of securities to client for T+90 days or for further period on fulfillment of conditions specified by IIFL Capital as per its risk management policy.

#### MARGIN REQUIREMENT:

- In order to avail margin trading Funding, initial margin required shall be as under:

Category of Stock	Applicable margin
Group I stocks available for trading in the F & O Segment	VaR + 3 times of applicable ELM*
Group I stocks other than F&O stocks	VaR + 5 times of applicable ELM*

\* The applicable VaR and ELM shall be as in the cash segment for a particular stock.

- The client shall ensure maintenance of the aforesaid margin at all times during the period that the margin trading Funding is being availed by the client. The client shall ensure to place the aforesaid margin in the form and manner as may be specified by IIFL Capital from time to time.



- IIFL Capital may, at its sole and absolute discretion, increase the limit of initial and/or maintenance margin, from time to time. The Client shall abide by such revision, and where there is an upward revision of such margin amount, agree to make up the revised margin immediately, not later than 5 working days from the day of margin call, failing which IIFL Capital may exercise its discretion / right to liquidate the security/ collateral and/or close out the position immediately. It may however, be noted that the initial/ maintenance margins will/shall never be lower than that prescribed by Stock Exchange/ SEBI.
- In case of a short fall in margins, IIFL Capital will make necessary margin calls. On receipt of 'margin call', the client shall make good such deficient margin / margin call by placing the further margin immediately, failing which IIFL Capital may exercise its discretion / right to liquidate the security / collateral and / or close out the position immediately depending upon the market conditions and / or the volatility. The Client agrees that the Mark to Market (MTM) process run by IIFL Capital to call for additional margin on Client positions shall be considered as online margin call given to the client. Further, the client has been provided with reports on the trader terminal (TT) itself where he can ascertain details of his existing margin blocked, margins required, MTM loss adjustment, margin shortfall, margin percentage etc. The margin requirement derived by use of these reports and the MTM process run by IIFL Capital to call for additional margin on open positions will be construed as margin call/ demand for the additional margin required by IIFL Capital. Clients are bound to monitor and review their open positions and margin requirements all the time and furnish the additional margin to the Company. IIFL Capital reserves the right to close out the open position at any time in case the Client does not satisfy the additional Margin requirements. The Client shall maintain sufficient margin at all the time to provide for limit and avoid liquidation.
- IIFL Capital will set up a separate risk management policy as amended from time to time, that will be applicable to the transactions done under the Margin Trading Funding.
- IIFL Capital will clearly indicate on its trader terminal (TT) the additional/ deficient margin to be made good while making "margin call" to the client.

#### **COLLATERALS:**

- The initial margin payable by the client to IIFL Capital shall be in the form of cash, cash equivalent or Group I equity shares, with appropriate hair cut as specified in SEBI Master circular no. SEBI/HO/MRD/DP/CIR/P/2016/135 dated December 16, 2016.
- By agreeing to avail Margin Trading Funding with IIFL Capital, client is deemed to have authorized IIFL Capital to retain and/or pledge the securities provided as collateral or purchased under the Margin Trading Funding and any corporate benefit thereon, if any, till the amount due in respect of the said transaction including the dues to IIFL Capital is paid in full by the client.
- Client have a right to change the securities collateral offered for Margin Trading Funding at any time with prior notice in writing to IIFL Capital so long as the securities so offered are approved for margin trading Funding.
- The Stock deposited as collateral with IIFL Capital for availing MTF (Collaterals) and the stocks purchased under the MTF (Funded Stock) shall be identifiable separately and there shall not be any commingling for the purpose of computing funding amount.
- IIFL Capital will hold and / or will appropriate the credit lying in the Client account and/or any unutilized/ unpledged shares/ securities lying in demat account along with all other demat accounts / Mutual Funds / IPO account of the Client towards the repayment of the outstanding dues thereof under MTF.
- IIFL Capital is at its discretion to identify the eligible/excess securities available with the client and mark such securities as collateral towards MTF

## **EXPOSURE & MAXIMUM PERMISSIBLE EXPOSURE**

- **Client Wise:**

Exposure to any single client at any point of time will not exceed 10% of the borrowed funds by IIFL Capital and 50% of IIFL Capital's "net worth"

- **Securities Wise:**

Exposure towards stocks purchased under margin trading Funding and collateral kept in the form of securities will be as per the appropriate Board approved policy in this regard from time to time.

- **Exposure on the increased value of Collaterals:**

In case of an increase in the value of Collaterals, IIFL Capital may at its sole discretion have the option of granting further exposure to the client subject to applicable haircuts. However, no such exposure shall be permitted on the increased value of funded stocks.

## **MARGIN TRADING FACILITIES TRADES**

- If the transaction is entered under margin trading account, there will not be any further confirmation that it is margin trading transaction other than contract note.
- Client will be free to take the delivery of the securities at any time by repaying the amounts that was paid by IIFL Capital to the Exchange towards the securities bought under margin trading Funding after paying all dues.
- IIFL Capital shall monitor and review on a continuous basis the client's position with regard to MTF.

## **INTEREST CALCULATION AND REPORTING OF TRADES:**

- IIFL Capital Services Limited would consider entire clear credit ledger balance in the clients' normal ledger for adjustment against the margin trading Funding trades (Ledger) and only the net debit balance would be considered as funded amount for reporting purpose.
- IIFL Capital Services Limited would calculate and levy the interest on the net debit balance in the MTF Ledger.
- The interest charge would be calculated on a daily basis at the rate specified and published by IIFL Capital from time to time.

## **MODE OF COMMUNICATION:**

- IIFL Capital will send all the confirmation of orders/ trades, margin calls, decision/calls to liquidate the collateral/ positions/ security, Daily Margin Statement, Contract Notes, margin policy on haircuts/ VAR margin, Risk management policies, allowable exposure, specific stock exposure etc. through electronic mode on registered email id and/or mobile number of the client updated in the IIFL Capital's database by the client.

## **COMPLAINTS RESOLUTION:**

- Clients shall lodge protest or disagreement with any transaction done under the margin trading Funding within 24 hours from the date of receipt of such document/statements/contract notes/any other communications.
- Any dispute arising between the client and IIFL Capital in connection with the MTF shall be referred to the investor grievance redressal mechanism, arbitration mechanism of the respective stock exchange.
- IPF (Investor Protection Fund) shall not be available for transactions done on the Stock Exchange, through MTF, in case of any losses suffered in connection with the MTF availed by the client.

## **LIQUIDATION**

- IIFL Capital may immediately without any notice liquidate the security / collateral and or close out the open positions due to the following events:
  - if any instrument for payment of Margin Money / Monies is / are dishonored
  - if the Client violates/breaches any provision of this Arrangement or provides any incorrect or misleading information.
  - if the Client has voluntarily or compulsorily become the subject of any proceedings under any bankruptcy or insolvency law or winding up or liquidation proceedings or has a receiver or liquidator appointed in respect of itself or its assets or makes an application or refers itself to any authority for being declared as a "sick company", relief undertaking, bankrupt or insolvent or seeking financial reconstruction or any other like scheme (by whatever name called) or is dissolved or there is a change in the constitution whether on account of the admission of a new partner or the retirement, death or insolvency of any partner or otherwise:
  - the death, lunacy or other disability of the Client;
  - if there is reasonable apprehension that the Client is unable to pay its outstanding dues or has admitted its inability to pay its dues, as they become payable:
  - if the Client is convicted under any criminal law in force:
  - if any Asset or any Security is seized or made subject to any distress, execution, attachment, injunction or other process order or proceeding or is detained or taken into custody for any reason;
  - default under any other arrangement or Funding with any Stock Broker is made by the Client.
  - there exists any other circumstance, which in the sole opinion of IIFL Capital, is prejudicial to the interests of IIFL Capital;
  - Order passed by any regulatory, courts, statutory bodies etc.
- All losses and financial charges on account of such liquidation/closing out shall be charged to and borne by the client
- Whenever the securities are liquidated by IIFL Capital, the contract note issued for such margin call related transaction will carry an asterisk or identifier that the transaction has arisen out of margin call.
- The client agrees that if the client is not able to maintain adequate margins or defaults in bringing adequate margin against the margin call then IIFL Capital Services Limited, to mitigate the risk may take necessary risk measures and liquidate the funded/ collateral securities. During such liquidation the most liquid funded / collateral securities with the highest value would be liquidated first in order to cover the risk of IIFL Capital.

- In Case of de-merger, merger, amalgamation, rights issue corporate action in any eligible securities the client would be required to make payment 7 days prior to the ex-date. In case of nonpayment, IIFL Capital will liquidate such positions in such securities.
- Client is required to make good payment of positions of MTF trades which are held for more than 90 days, failing which IIFL Capital will liquidate such positions

#### **TERMINATION OF RELATIONSHIP:**

- Client may close / terminate the Margin Trading Account at any time after paying the dues with prior notice in writing.
- The margin trading arrangement between IIFL Capital and the client shall be terminated; if the Stock Exchange, for any reason, withdraws the margin trading Facility provided to IIFL Capital or IIFL Capital surrenders the facility or the IIFL Capital ceases to be a member of the stock exchange.
- The MTF may be withdrawn by IIFL Capital, in the event of client committing any breach of any terms or conditions therein or at any time after due intimation to client allowing such time to liquidate the MTF position as per the agreed liquidation terms without assigning any reason. Similarly, client may opt to terminate the margin trading Funding in the event of IIFL Capital committing any breach of any terms or conditions therein or for any other reason.
- In the event of termination of this arrangement, the client shall forthwith settle the dues of the IIFL Capital. The IIFL Capital shall be entitled to immediately adjust the Margin Amount against the dues of the client, and the client hereby authorizes the IIFL Capital to make such adjustment.
- After such adjustment, if the amount is still due to IIFL Capital from the client, the client shall settle the same forthwith. Upon full settlement of all the dues of the client to IIFL Capital, IIFL Capital shall release the balance amount to the client.
- If the client opts to terminate the margin trading Funding, IIFL Capital shall forthwith return to the client all the collaterals provided and funded securities retained within 5 working days from the date of clearing of all the dues by client.

#### **OTHERS:**

- The funds of one client will not be used to provide MTF to another client, even if the same is authorized by the first client.
- The Clients Margin Trading Account with no transaction for 90 days will be settled immediately.
- The daily margin statements sent by IIFL Capital to the client shall identify the margin/ collateral for Margin Trading Separately.
- The dues, wherever mentioned herein above, includes but not limited to outstanding balances, interest, statutory taxes, duties, charges, penalties etc. in respect of MTF availed by the Client
- The terms / conditions / Obligations of the Client as amended from time to time shall be irrevocable and shall not be revoked by the death/dissolution/ winding up of the Client.