

## Rights & Obligations of Members, Authorised Persons and Clients as prescribed by SEBI and Exchanges

1. The client shall invest/trade in those securities/commodities/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 Member, Authorised Person 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 them self of the capacity of the Member to deal in securities/commodities and/or deal in derivatives contracts and wishes to execute its orders through the Member and the client shall from time to time continue to satisfy itself of such capability of the Member before executing orders through the Member.
4. The Member 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 Member shall take steps to make the client aware of the precise nature of the Member's liability for business to be conducted, including any limitations, the liability and the capacity in which the Member acts.
6. The Authorised Person shall provide necessary assistance and co-operate with the Member in all its dealings with the client(s).
7. **Requirements of professional diligence**
  - 7.a. The Member must exercise professional diligence while entering into a financial contract or discharging any obligations under it.
  - 7.b. "professional diligence" means the standard of skill and care that a Member would be reasonably expected to exercise towards a Client, commensurate with.
    - 7.b.i. honest market practice;
    - 7.b.ii. the principle of good faith;
    - 7.b.iii. level of knowledge, experience and expertise of the
    - 7.b.iv. Client;
    - 7.b.v. the nature and degree of risk embodied in the financial product\* or financial service being availed by the Client; and
    - 7.b.vi. the extent of dependence of the Client on the Member.

### Client Information

8. The client shall furnish all such details in full as are required by the Member in "Account Opening Form" with supporting details, made mandatory by exchanges/SEBI from time to time.
9. The client shall familiarize himself with all the mandatory provisions in the Account Opening

documents. Any additional clauses or documents specified by the Member shall be non-mandatory, as per terms & conditions accepted by the client.

10. The client shall immediately notify the Member 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 Member on a periodic basis.

**11. Protection from unfair terms in financial contracts\*\***

11.a. An unfair term of a non-negotiated contract will be void.

11.b. A term is unfair if it:

11.b.i. causes a significant imbalance in the rights and obligations of the parties under the financial contract, to the detriment of the Client; and

11.b.ii. is not reasonably necessary to protect the legitimate interests of the Member.

11.c. The factors to be taken into account while determining whether a term is unfair, include:

11.c.i. the nature of the financial product or financial service dealt with under the financial contract;

11.c.ii. the extent of transparency of the term;

11.c.iii. the extent to which the term allows a Client to compare it with other financial contracts for similar financial products or financial services; and

11.c.iv. the financial contract as a whole and the terms of any other contract on which it is dependent.

11.d. A term is transparent if it:

11.d.i. is expressed in reasonably plain language that is likely to be understood by the Client;

11.d.ii. is legible and presented clearly; and

11.d.iii. is readily available to the Client affected by the term.

11.e. If a term of a financial contract is determined to be unfair under point 11.c, the parties will continue to be bound by the remaining terms of the financial contract to the extent that the financial contract is capable of enforcement without the unfair term.

11.f. A "Non-negotiated contract" means a contract whose terms, other than the terms contained in point 11.d. (given below) are not negotiated between the parties to the financial contract and includes:

11.f.i. a financial contract in which, relative to the Client, the Member has a substantially greater bargaining power in determining terms of the financial contract; and

- 11.f.ii. a standard form contract.
  - 11.g. “Standard form contract” means a financial contract that is substantially not negotiable for the Client, except for the terms contained in point 11.C.
  - 11.h. Even if some terms of a financial contract are negotiated in form, the financial contract may be regarded as a non-negotiated contract if so indicated by:
    - 11.h.i. an overall and substantial assessment of the financial contract; and
    - 11.h.ii. the substantial circumstances surrounding the financial contract
  - 11.i. In a claim that a financial contract is a non-negotiated contract, the onus of demonstrating otherwise will be on the Member.
- 12.
- 12.a. The above does not apply to a term of a financial contract if it:
    - 12.a.i. defines the subject matter of the financial contract;
    - 12.a.ii. sets the price that is paid, or payable, for the provision of the financial product or financial service under the financial contract and has been clearly disclosed to the Client; or
    - 12.a.iii. is required, or expressly permitted, under any law or regulations.
  - 12.b. The exemption under point 11.C does not apply to a term that deals with the payment of an amount which is contingent on the occurrence or non- occurrence of any particular event.
13. The Member and Authorized Person 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 how- ever that the Member may so disclose information about his client to any person or authority with the express permission of the client.
- 14.
- 14.a. Protection of personal information and confidentiality
    - 14.a.i. “Personal information” means any information that relates to a Client or allows a Client’s identity to be inferred, directly or indirectly, and includes:
      - 14.a.i.1. name and contact information;
      - 14.a.i.2. biometric information, in case of individuals
      - 14.a.i.3. information relating to transactions in, or holdings of, financial products
      - 14.a.i.4. information relating to the use of financial services; or
      - 14.a.i.5. such other information as may be specified.
  - 14.b. A Member must

- 14.b.i. not collect personal information relating to a Client in excess of what is required for the provision of a financial product or financial service;
- 14.b.ii. maintain the confidentiality of personal information relating to Clients and not disclose it to a third party, except in a manner expressly permitted under point 13.B.b.;
- 14.b.iii. make best efforts to ensure that any personal information relating to a Client that it holds is accurate, up to date and complete;
- 14.b.iv. ensure that Clients can obtain reasonable access to their personal information, subject to any exceptions that the Regulator may specify; and
- 14.b.v. allow Clients an effective opportunity to seek modifications to their personal information to ensure that the personal information held by the Member is accurate, up to date and complete.

**15. A Member may disclose personal information relating to a Client to a third party only if:**

- 15.a.i. it has obtained prior written informed consent of the Client for the disclosure, after giving the Client an effective opportunity to refuse consent;
- 15.a.ii. the Client has directed the disclosure to be made;
- 15.a.iii. the Regulator has approved or ordered the disclosure, and unless prohibited by the relevant law or regulations, the Client is given an opportunity to represent under such law or regulations against such disclosure;
- 15.a.iv. the disclosure is required under any law or regulations, and unless prohibited by such law or regulations, the Client is given an opportunity to represent under such law or regulations against such disclosure;
- 15.a.v. the disclosure is directly related to the provision of a financial product or financial service to the Client, if the Member:
  - 15.a.v.1. informs the Client in advance that the personal information may be shared with a third party; and
  - 15.a.v.2. makes arrangements to ensure that the third party maintains the confidentiality of the personal information in the same manner as required under this Part; or
- 15.a.vi. the disclosure is made to protect against or prevent actual or potential fraud, unauthorised transactions or claims, if the Member arranges with the third party to maintain the confidentiality of the personal information in the manner required under this Part.

**15.b.** "Third party" means any person other than the concerned Member, including a person belonging to the same group as the Member.

**16. Requirement of fair disclosure both initially and on continuing basis**

- 16.a. Member must ensure fair disclosure of information that is likely to be required by a Client to make an informed transactional decision.

- 16.b. In order to constitute fair disclosure, the information must be provided:
- 16.b.i. sufficiently before the Client enters into a financial contract, so as to allow the Client reasonable time to understand the information;
  - 16.b.ii. in writing and in a manner that is likely to be understood by a Client belonging to a particular category; and
  - 16.b.iii. in a manner that enables the Client to make reasonable comparison of the financial product or financial service with other similar financial products or financial services.
- 16.c. The types of information that must be disclosed to a Client in relation to a financial product or financial service, which may include information regarding:
- 16.c.i. main characteristics of the financial product or financial service, including its features, benefits and risks to the Client;
  - 16.c.ii. consideration to be paid for the financial product or financial service or the manner in which the consideration is calculated;
  - 16.c.iii. existence, exclusion or effect of any term in the financial product or financial contract;
  - 16.c.iv. nature, attributes and rights of the Member, including its identity, regulatory status and affiliations;
  - 16.c.v. contact details of the Member and the methods of communication to be used between the Member and the Client;
  - 16.c.vi. rights of the Client to rescind a financial contract within a specified period; or
  - 16.c.vii. rights of the Client under any law or regulations.
17. Member must provide a Client that is availing a financial product or financial service provided by it, with the following continuing disclosures:
- 17.a. any material change to the information that was required to be disclosed under point 15 at the time when the Client initially availed the financial product or financial service;
  - 17.b. information relating to the status or performance of a financial product held by the Client, as may be required to assess the rights or interests in the financial product or financial service; and
  - 17.c. any other information that may be specified.
18. A continuing disclosure must be made:
- 18.a. I within a reasonable time-period from the occurrence of any material change or at reasonable periodic intervals, as applicable; and
  - 18.b. in writing and in a manner that is likely to be understood by a Client belonging to that category.

## **Margins**

19. The client shall pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the Member 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 Member 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.
20. 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**

21. The client shall give any order for buy or sell of a security/commodity/derivatives contract in writing or in such form or manner, as may be mutually agreed between the client and the Member. The Member shall ensure to place orders and execute the trades of the client, only in the Unique Client Code assigned to that client.
22. The Member 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.
23. The Member shall ensure that the money/securities/commodities 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 Member 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.
24. Where 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, Member shall be entitled to cancel the respective contract(s) with client(s).
25. The transactions executed on the Exchange are subject to Rules, Byelaws and Regulations and circulars /notices issued thereunder 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 thereunder.

## **Brokerage**

26. The Client shall pay to the Member 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 Member renders to the Client. The Member 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 s Close Out of Position**

27. Without prejudice to the Member's other rights (including the right to refer a matter to arbitration), the client understands that the Member shall be entitled to liquidate/close out all or any of the client's positions for non- payment 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 ac- count of such liquidation/closing-out shall be charged to and borne by the client.
28. 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/commodities which the client has ordered to be bought or sold, Member 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/commodities in favour of a Nominee shall be valid discharge by the Member against the legal heir.
29. The Member 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 Director(s)/Promoter(s)/Partner(s)/Proprietor as the case may be, shall also be communicated by the Member to the relevant Exchange(s).

### **Dispute Resolution**

30. The Member shall provide the client with the relevant contact details of the concerned Exchanges and SEBI.
31. The Member 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.
32. The client and the Member 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 thereunder as may be in force from time to time.
33. The Member shall ensure faster settlement of any arbitration proceedings arising out of the transactions entered into between him vis-à-vis he client and he shall be liable to implement the arbitration awards made in such proceedings.
34. The client/Member 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/Member in accordance with the letter authorizing the said representative to deal on behalf of the said client/Member.

## **Termination of Relationship**

35. This relationship between the Member and the client shall be terminated; if the Member for any reason ceases to be a member of the stock exchange including cessation of membership by reason of the Member's default, death, resignation or expulsion or if the certificate is cancelled by the Board.
36. The Member, Authorised Person 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.
37. In the event of demise/insolvency of the Authorised Person 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 Member, 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 Member and all clauses in the 'Rights and Obligations' document(s) governing the Member, Authorised Person and client shall continue to be in force as it is, unless the client intimates to the Member his/its intention to terminate their relationship by giving a notice in writing of not less than one month.

## **Additional Rights s Obligations**

38. The Member 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.
39. The Member and client shall reconcile and settle their accounts from time to time as per the Rules, Regulations, Bye Laws, Circulars, Notices and Guidelines issued by SEBI and the relevant Exchanges where the trade is executed.
40. The Member shall issue a contract note to his constituents for trades executed in such format as may be pre- scribed by the Exchange from time to time containing records of all transeactions 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 is- sued in such manner and within such time as prescribed by the Exchange. The Member 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.
41. The Member shall make pay out of funds or delivery of securities/commodities, 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.
42. The Member shall send a complete 'Statement of Accounts' for both funds and securities/commodities 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 Member.

43. The Member 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.
44. The Client shall ensure that they/it has the required legal capacity to, and is authorized to, enter into the relationship with Member 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.
45. The member and depository participant shall not directly/indirectly compel the clients to execute Power of Attorney (PoA) or Demat Debit and Pledge Instruction (DDPI) or deny services to the client if the client refuses to execute PoA or DDPI.

### **Electronic Contract Notes**

46. In case, client opts to receive the contract note in electronic form, he shall provide an appropriate e-mail id to the Member. The client shall communicate to the Member 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.
47. The Member shall ensure that all ECNs sent through the e-mail shall be digitally signed, encrypted, non-tamperable 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.
48. The client shall note that non-receipt of bounced mail notification by the Member shall amount to delivery of the contract note at the e-mail ID of the client.
49. The Member 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 Member 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 Member 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.
50. 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 Member 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.

51. In addition to the e-mail communication of the ECNs to the client, the Member 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 s Jurisdiction**

52. In addition to the specific rights set out in this document, the Member, Authorised Person and the client shall be entitled to exercise any other rights which the Member 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 thereunder or Rules and Regulations of SEBI.
53. 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 ex- changes, where the trade is executed, that may be in force from time to time.
54. The Member 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.
55. 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 thereunder of the Exchanges/SEBI.
56. All additional voluntary clauses/document added by the Member 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.

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.

## **22. INTERNET & WIRELESS TECHNOLOGY BASED TRADING FACILITY PROVIDED BY STOCK BROKER TO THE 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 website 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 is 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 a 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.

The Client shall not have any claim against the Exchange or the Stockbroker on account of any suspension, interruption, non availability 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 stockbroker/Exchanges.