



**MONARCH**  
NETWORK CAPITAL

*—wealthcare redefined*



# NON-MANDATORY

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## **Rights and Obligations of Beneficial Owner and Depository Participant as prescribed by SEBI and Depositories**

### **General Clause**

1. The Beneficial Owner and the Depository participant (DP) shall be bound by the provisions of the Depositories Act, 1996, SEBI (Depositories and Participants) Regulations, 1996, Rules and Regulations of Securities and Exchange Board of India (SEBI), Circulars/Notifications/Guidelines issued there under, Bye Laws and Business Rules/Operating Instructions issued by the Depositories and relevant notifications of Government Authorities as may be in force from time to time.
2. The DP shall open/activate demat account of a beneficial owner in the depository system only after receipt of complete Account opening form, KYC and supporting documents as specified by SEBI from time to time.

### **Beneficial Owner information**

3. The DP shall maintain all the details of the beneficial owner(s) as mentioned in the account opening form, supporting documents submitted by them and/or any other information pertaining to the beneficial owner confidentially and shall not disclose the same to any person except as required by any statutory, legal or regulatory authority in this regard.
4. The Beneficial Owner shall immediately notify the DP in writing, if there is any change in details provided in the account opening

form as submitted to the DP at the time of opening the demat account or furnished to the DP from time to time.

### **Fees/Charges/Tariff**

5. The Beneficial Owner shall pay such charges to the DP for the purpose of holding and transfer of securities in dematerialized form and for availing depository services as may be agreed to from time to time between the DP and the Beneficial Owner as set out in the Tariff Sheet provided by the DP. It may be informed to the Beneficial Owner that “no charges are payable for opening of demat accounts”
6. In case of Basic Services Demat Accounts, the DP shall adhere to the charge structure as laid down under the relevant SEBI and/or Depository circulars/directions/notifications issued from time to time.
7. The DP shall not increase any charges/tariff agreed upon unless it has given a notice in writing of not less than thirty days to the Beneficial Owner regarding the same.

### **Dematerialization**

8. The Beneficial Owner shall have the right to get the securities, which have been admitted on the Depositories, dematerialized in the form and manner laid down under the Bye Laws, Business Rules and Operating Instructions of the depositories.

## **Separate Accounts**

9. The DP shall open separate accounts in the name of each of the beneficial owners and securities of each beneficial owner shall be segregated and shall not be mixed up with the securities of other beneficial owners and/or DP's own securities held in dematerialized form.
10. The DP shall not facilitate the Beneficial Owner to create or permit any pledge and /or hypothecation or any other interest or encumbrance over all or any of such securities submitted for dematerialization and/or held in demat account except in the form and manner prescribed in the Depositories Act, 1996, SEBI (Depositories and Participants) Regulations, 1996 and Bye-Laws/ Operating Instructions/Business Rules of the Depositories.
14. However, if there is no transaction in the demat account, or if the balance has become Nil during the year, the DP shall send one physical statement of holding annually to such BOs and shall resume sending the transaction statement as and when there is a transaction in the account.
15. The DP may provide the services of issuing the statement of demat accounts in an electronic mode if the Beneficial Owner so desires. The DP will furnish to the Beneficial Owner the statement of demat accounts under its digital signature, as governed under the Information Technology Act, 2000. However if the DP does not have the facility of providing the statement of demat account in the electronic mode, then the Participant shall be obliged to forward the statement of demat accounts in physical form.

## **Transfer of Securities**

11. The DP shall effect transfer to and from the demat accounts of the Beneficial Owner only on the basis of an order, instruction, direction or mandate duly authorized by the Beneficial Owner and the DP shall maintain the original documents and the audit trail of such authorizations.
12. The Beneficial Owner reserves the right to give standing instructions with regard to the crediting of securities in his demat account and the DP shall act according to such instructions.
16. In case of Basic Services Demat Accounts, the DP shall send the transaction statements as mandated by SEBI and/or Depository from time to time.

## **Manner of Closure of Demat account**

## **Statement of account**

13. The DP shall provide statements of accounts to the beneficial owner in such form and manner and at such time as agreed with the Beneficial Owner and as specified by SEBI/ depository in this regard.
17. The DP shall have the right to close the demat account of the Beneficial Owner, for any reasons whatsoever, provided the DP has given a notice in writing of not less than thirty days to the Beneficial Owner as well as to the Depository. Similarly, the Beneficial Owner shall have the right to close his/her demat account held

with the DP provided no charges are payable by him/her to the DP. In such an event, the Beneficial Owner shall specify whether the balances in their demat account should be transferred to another demat account of the Beneficial Owner held with another DP or to rematerialize the security balances held.

18. Based on the instructions of the Beneficial Owner, the DP shall initiate the procedure for transferring such security balances or rematerialize such security balances within a period of thirty days as per procedure specified from time to time by the depository. Provided further, closure of demat account shall not affect the rights, liabilities and obligations of either the Beneficial Owner or the DP and shall continue to bind the parties to their satisfactory completion.

#### **Default in payment of charges**

19. In event of Beneficial Owner committing a default in the payment of any amount provided in Clause 5 & 6 within a period of thirty days from the date of demand, without prejudice to the right of the DP to close the demat account of the Beneficial Owner, the DP may charge interest at a rate as specified by the Depository from time to time for the period of such default.
20. In case the Beneficial Owner has failed to make the payment of any of the amounts as provided in Clause 5&6 specified above, the DP after giving two days notice to the Beneficial Owner shall have the right to stop processing of instructions of

the Beneficial Owner till such time he makes the payment along with interest, if any.

#### **Liability of the Depository**

21. As per Section 16 of Depositories Act, 1996,
  1. Without prejudice to the provisions of any other law for the time being in force, any loss caused to the beneficial owner due to the negligence of the depository or the participant, the depository shall indemnify such beneficial owner.
  2. Where the loss due to the negligence of the participant under Clause (1) above, is indemnified by the depository, the depository shall have the right to recover the same from such participant.

#### **Freezing/ Defreezing of accounts**

22. The Beneficial Owner may exercise the right to freeze/defreeze his/her demat account maintained with the DP in accordance with the procedure and subject to the restrictions laid down under the Bye Laws and Business Rules/Operating Instructions.
23. The DP or the Depository shall have the right to freeze/defreeze the accounts of the Beneficial Owners on receipt of instructions received from any regulator or court or any statutory authority.

#### **Redressal of Investor grievance**

24. The DP shall redress all grievances of the Beneficial Owner against the DP

within a period of thirty days from the date of receipt of the complaint.

### **Authorized representative**

25. If the Beneficial Owner is a body corporate or a legal entity, it shall, along with the account opening form, furnish to the DP, a list of officials authorized by it, who shall represent and interact on its behalf with the Participant. Any change in such list including additions, deletions or alterations thereto shall be forthwith communicated to the Participant.

### **Law and Jurisdiction**

26. In addition to the specific rights set out in this document, the DP and the Beneficial owner shall be entitled to exercise any other rights which the DP or the Beneficial Owner may have under the Rules, Bye Laws and Regulations of the respective Depository in which the demat account is opened and circulars/ notices issued there under or Rules and Regulations of SEBI.
27. The provisions of this document shall always be subject to Government notification, any rules, regulations, guidelines and circulars/ notices issued by SEBI and Rules, Regulations and Bye-laws of the relevant Depository, where the Beneficial Owner maintains his/ her account, that may be in force from time to time.
28. The Beneficial Owner and the DP shall abide by the arbitration and conciliation procedure prescribed under the Bye-laws of the depository and that such procedure shall be applicable to any disputes between

the DP and the Beneficial Owner.

29. Words and expressions which are used in this document but which are not defined herein shall unless the context otherwise requires, have the same meanings as assigned thereto in the Rules, Bye-laws and Regulations and circulars/notices issued there under by the depository and /or SEBI
30. Any changes in the rights and obligations which are specified by SEBI/Depositories shall also be brought to the notice of the clients at once.
31. 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 Depository, where the Beneficial Owner maintains his/ her account, such changes shall be deemed to have been incorporated herein in modification of the rights and obligations of the parties mentioned in this document.

## **RIGHTS AND OBLIGATIONS OF STOCK BROKERS, SUB-BROKERS AND CLIENTS FOR TRADING ON 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-brokers 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 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**

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 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 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 therefrom. 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 thereunder 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, sub-broker 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, Bye Laws, 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 clients 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 e-mail shall be digitally signed, encrypted, non-tamper able 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 non-tamperable.
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 stock broker shall retain ECN and acknowledgement of the e-mail in a soft and non-tamperable 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 thereunder 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 thereunder 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.

## **LIQUIDATION AND CLOSE OUT OF POSITION EFFECTIVE FROM 1ST OCTOBER 2019.**

As per SEBI circular CIR/HO/MIRSD/DOP/ CIR/P/2019/75 dated June 20, 2019, no clients debit can be carried beyond T+5 days, so in case of non-payment from client, stock broker with pre intimation to client, will clear the debit balance by selling the securities in stock market. Pursuant to so liquidation as per SEBI circular, any fund credited in account will be passed on to client by way of pay-out and demand will be generated if there is debit balance after liquidation in client's account.

For other criteria of liquidation please refer RMS policy on our website <https://www.mnclgroup.com>

## **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, non-availability or malfunctioning of the Stock broker's IBT System or Service or the Exchange's service or systems or non-execution 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.

## **UNIFORM RISK DISCLOSURE DOCUMENT FOR CAPITAL MARKET AND DERIVATIVES SEGMENTS**

This document contains important information on trading in Equities/ Derivatives Segments of the stock exchanges. All prospective constituents should read this document before trading in Equities/Derivatives Segments of the Exchanges.

Stock exchanges/SEBI does neither singly or jointly and expressly nor impliedly guarantee nor make any representation concerning the completeness, the adequacy or accuracy of this disclosure document nor have Stock exchanges /SEBI endorsed or passed any merits of participating in the trading segments. This brief statement does not disclose all the risks and other significant aspects of trading.

In the light of the risks involved, you should undertake transactions only if you understand the nature of the relationship into which you are entering and the extent of your exposure to risk.

You must know and appreciate that trading in Equity shares, derivatives contracts or other instruments traded on the Stock Exchange, which have varying element of risk, is generally not an appropriate avenue for someone of limited resources/limited investment and/or trading experience and low risk tolerance. You should therefore carefully consider whether such trading is suitable for you in the light of your financial condition. In case you trade on Stock exchanges and suffer adverse consequences or loss, you shall be solely responsible for the same and Stock exchanges/its Clearing Corporation and/or SEBI shall not be responsible, in any manner whatsoever, for the same and it will not be open for you

to take a plea that no adequate disclosure regarding the risks involved was made or that you were not explained the full risk involved by the concerned stock broker. The constituent shall be solely responsible for the consequences and no contract can be rescinded on that account. You must acknowledge and accept that there can be no guarantee of profits or no exception from losses while executing orders for purchase and/or sale of a derivative contract being traded on Stock exchanges.

It must be clearly understood by you that your dealings on Stock exchanges through a stock broker shall be subject to your fulfilling certain formalities set out by the stock broker, which may inter alia include your filling the know your client form, reading the rights and obligations, do's and don'ts, etc., and are subject to the Rules, Byelaws and Regulations of relevant Stock exchanges, its Clearing Corporation, guidelines prescribed by SEBI and in force from time to time and Circulars as may be issued by Stock exchanges or its Clearing Corporation and in force from time to time.

Stock exchanges does not provide or purport to provide any advice and shall not be liable to any person who enters into any business relationship with any stock broker of Stock exchanges and/or any third party based on any information contained in this document. Any information contained in this document must not be construed as business advice. No consideration to trade should be made without thoroughly understanding and reviewing the risks involved in such trading. If you are unsure, you must seek professional advice on the same.



In considering whether to trade or authorize someone to trade for you, you should be aware of or must get acquainted with the following:-

## **1. BASIC RISKS:**

### **1.1 Risk of Higher Volatility:**

Volatility refers to the dynamic changes in price that a security/ derivatives contract undergoes when trading activity continues on the Stock Exchanges. Generally, higher the volatility of a security/derivatives contract, greater is its price swings. There may be normally greater volatility in thinly traded securities / derivatives contracts than in active securities / derivatives contracts. As a result of volatility, your order may only be partially executed or not executed at all, or the price at which your order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in notional or real losses.

### **1.2 Risk of Lower Liquidity:**

Liquidity refers to the ability of market participants to buy and/or sell securities / derivatives contracts expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the numbers of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and/or sell securities / derivatives contracts swiftly and with minimal price difference, and as a result, investors are more likely to pay or receive a competitive price

for securities / derivatives contracts purchased or sold. There may be a risk of lower liquidity in some securities / derivatives contracts as compared to active securities / derivatives contracts. As a result, your order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all.

**1.2.1** Buying or selling securities / derivatives contracts as part of a day trading strategy may also result into losses, because in such a situation, securities / derivatives contracts may have to be sold / purchased at low / high prices, compared to the expected price levels, so as not to have any open position or obligation to deliver or receive a security / derivatives contract.

### **1.3 Risk of Wider Spreads:**

Spread refers to the difference in best buy price and best sell price. It represents the differential between the price of buying a security / derivatives contract and immediately selling it or vice versa. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid securities / derivatives contracts. This in turn will hamper better price formation.

### **1.4 Risk-reducing orders:**

The placing of orders (e.g., “stop loss” orders, or “limit” orders) which are intended to limit losses to certain amounts may not be effective many a time because rapid movement in market conditions may make it impossible to execute such orders.

**1.4.1** A “market” order will be executed promptly, subject to availability of orders on opposite side, without regard to price and that, while the customer may receive a prompt execution of a “market” order, the execution may be at available prices of outstanding orders, which satisfy the order quantity, on price time priority. It may be understood that these prices may be significantly different from the last traded price or the best price in that security / derivatives contract.

**1.4.2** A “limit” order will be executed only at the “limit” price specified for the order or a better price. However, while the customer receives price protection, there is a possibility that the order may not be executed at all.

**1.4.3** A stop loss order is generally placed “away” from the current price of a stock / derivatives contract, and such order gets activated if and when the security / derivatives contract reaches, or trades through, the stop price. Sell stop orders are entered ordinarily below the current price, and buy stop orders are entered ordinarily above the current price. When the security / derivatives contract reaches the pre-determined price, or trades through such price, the stop loss order converts to a market/limit order and is executed at the limit or better. There is no assurance therefore that the limit order will be executable since a security / derivatives contract might penetrate the pre-determined price, in which case, the risk of such order not getting executed arises, just as with a regular limit order.

## **1.5 Risk of News Announcements:**

News announcements that may impact the price of stock / derivatives contract may occur during trading, and when combined with lower liquidity and higher volatility, may suddenly cause an unexpected positive or negative movement in the price of the security / contract.

## **1.6 Risk of Rumors:**

Rumors about companies / currencies at times float in the market through word of mouth, newspapers, websites or news agencies, etc. The investors should be wary of and should desist from acting on rumors.

## **1.7 System Risk:**

High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation.

**1.7.1** During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in order execution and its confirmations.

**1.7.2** Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a security / derivatives contract due to any action on account of unusual trading activity or security / derivatives contract hitting circuit filters or for any other reason.

## 1.8 System/Network Congestion:

Trading on exchanges is in electronic mode, based on satellite/leased line based communications, combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond control and may result in delay in processing or not processing buy or sell orders either in part or in full. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions.

## 2. As far as Derivatives segments are concerned, please note and get yourself acquainted with the following additional features:-

### 2.1 Effect of “Leverage” or “Gearing”:

In the derivatives market, the amount of margin is small relative to the value of the derivatives contract so the transactions are ‘leveraged’ or ‘geared’. Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the margin amount. But transactions in derivatives carry a high degree of risk.

You should therefore completely understand the following statements

before actually trading in derivatives and also trade with caution while taking into account one’s circumstances, financial resources, etc. If the prices move against you, you may lose a part of or whole margin amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount.

- A. Futures trading involve daily settlement of all positions. Every day the open positions are marked to market based on the closing level of the index / derivatives contract. If the contract has moved against you, you will be required to deposit the amount of loss (notional) resulting from such movement. This amount will have to be paid within a stipulated time frame, generally before commencement of trading on next day.
- B. If you fail to deposit the additional amount by the deadline or if an outstanding debt occurs in your account, the stock broker may liquidate a part of or the whole position or substitute securities. In this case, you will be liable for any losses incurred due to such close-outs.
- C. Under certain market conditions, an investor may find it difficult or impossible to execute transactions. For example, this situation can occur due to factors such as illiquidity i.e. when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc.

- D. In order to maintain market stability, the following steps may be adopted: changes in the margin rate, increases in the cash margin rate or others. These new measures may also be applied to the existing open interests. In such conditions, you will be required to put up additional margins or reduce your positions.
- E. You must ask your broker to provide the full details of derivatives contracts you plan to trade i.e. the contract specifications and the associated obligations.

## 2.2 Currency specific risks:

1. The profit or loss in transactions in foreign currency-denominated contracts, whether they are traded in your own or another jurisdiction, will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.
2. Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example when a currency is deregulated or fixed trading bands are widened.
3. Currency prices are highly volatile. Price movements for currencies are influenced by, among other things: changing supply-demand relationships; trade, fiscal, monetary, exchange control programs and policies of governments; foreign political

and economic events and policies; changes in national and international interest rates and inflation; currency devaluation; and sentiment of the market place. None of these factors can be controlled by any individual advisor and no assurance can be given that an advisor's advice will result in profitable trades for a participating customer or that a customer will not incur losses from such events.

## 2.3 Risk of Option holders:

1. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells his option in the secondary market nor exercises it prior to its expiration will necessarily lose his entire investment in the option. If the price of the underlying does not change in the anticipated direction before the option expires, to an extent sufficient to cover the cost of the option, the investor may lose all or a significant part of his investment in the option.
2. The Exchanges may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances.

## 2.4 Risks of Option Writers:

1. If the price movement of the

underlying is not in the anticipated direction, the option writer runs the risks of losing substantial amount.

2. The risk of being an option writer may be reduced by the purchase of other options on the same underlying interest and thereby assuming a spread position or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short' position.
3. Transactions that involve buying and writing multiple options in combination, or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors. Combination transactions, such as option spreads, are more complex than buying or writing a single option. And it should be further noted that, as in any area of investing, a complexity not well understood is, in itself, a risk factor. While this is not to suggest that combination strategies should not be considered, it is advisable, as is the case with all investments in options, to consult with someone who is experienced and knowledgeable with respect to the risks and potential rewards of combination transactions under various market circumstances.

### **3. TRADING THROUGH WIRELESS TECHNOLOGY/ SMART ORDER ROUTING OR ANY OTHER TECHNOLOGY:**

Any additional provisions defining the features, risks, responsibilities, obligations and liabilities associated with securities trading through wireless technology/ smart order routing or any other technology should be brought to the notice of the client by the stock broker.

### **4. GENERAL**

- 4.1 The term 'constituent' shall mean and include a client, a customer or an investor, who deals with a stock broker for the purpose of acquiring and/or selling of securities / derivatives contracts through the mechanism provided by the Exchanges.

- 4.2 The term 'stock broker' shall mean and include a stock broker, a broker or a stock broker, who has been admitted as such by the Exchanges and who holds a registration certificate from SEBI.

Constituent is aware of all risk mentioned above. Constituent is aware that above details are indicative and not exhaustive and there may be other risks involved. Constituent shall be sole responsible for any consequences out of it and broker shall not be liable / indemnify constituents for such risk.

## **GUIDANCE NOTE - DO's AND DON'Ts FOR TRADING ON THE EXCHANGE(S) FOR INVESTORS**

### **BEFORE YOU BEGIN TO TRADE**

1. Ensure that you deal with and through only SEBI registered intermediaries. You may check their SEBI registration certificate number from the list available on the Stock exchanges [www.exchange.com](http://www.exchange.com) and SEBI website [www.sebi.gov.in](http://www.sebi.gov.in).
2. Ensure that you fill the KYC form completely and strike off the blank fields in the KYC form.
3. Ensure that you have read all the mandatory documents viz. Rights and Obligations, Risk Disclosure Document, Policy and Procedure document of the stock broker.
4. Ensure to read, understand and then sign the voluntary clauses, if any, agreed between you and the stock broker. Note that the clauses as agreed between you and the stock broker cannot be changed without your consent.
5. Get a clear idea about all brokerage, commissions, fees and other charges levied by the broker on you for trading and the relevant provisions/ guidelines specified by SEBI/Stock exchanges.
6. Obtain a copy of all the documents executed by you from the stock broker free of charge.
7. In case you wish to execute Power of Attorney (POA) in favour of the Stock broker, authorizing it to operate your

bank and demat account, please refer to the guidelines issued by SEBI/ Exchanges in this regard.

### **TRANSACTIONS AND SETTLEMENTS**

8. The stock broker may issue electronic contract notes (ECN) if specifically authorized by you in writing. You should provide your email id to the stock broker for the same. Don't opt for ECN if you are not familiar with computers.
9. Don't share your internet trading account's password with anyone.
10. Don't make any payment in cash to the stock broker.
11. Make the payments by account payee cheque in favour of the stock broker. Don't issue cheques in the name of sub-broker. Ensure that you have a documentary proof of your payment/ deposit of securities with the stock broker, stating date, scrip, quantity, towards which bank/ demat account such money or securities deposited and from which bank/ demat account.
12. Note that facility of Trade Verification is available on stock exchanges' websites, where details of trade as mentioned in the contract note may be verified. Where trade details on the website do not tally with the details mentioned in the contract note, immediately get in touch with the Investors Grievance Cell of the relevant Stock exchange.

13. In case you have given specific authorization for maintaining running account, payout of funds ( As per SEBI circular CIR/HO/MIRSD/DOP/ CIR/P/2019/75 dated June 20, 2019 running account settlement stands for funds only with effect from 1st October 2019), may not be made to you within one working day from the receipt of payout from the Exchange. Thus, the stock broker shall maintain running account for you subject to the following conditions:
- a) Such authorization from you shall be dated, signed by you only and contains the clause that you may revoke the same at any time.
  - b) The actual settlement of funds shall be done by the stock broker, at least once in a calendar quarter or month, depending on your preference. While settling the account, the stock broker shall send to you a 'statement of accounts' containing an extract from the client ledger for funds and an extract from the register of securities displaying all the receipts/deliveries of funds and securities. The statement shall also explain the retention of funds and the details of the pledged shares, if any.
  - c) On the date of settlement, the stock broker may retain the requisite funds towards outstanding obligations and may also retain the funds expected to be required to meet derivatives margin obligations for next 5 trading days, calculated in the manner specified by the exchanges. In respect of cash market transactions, the stock broker may retain entire pay-in obligation of funds due from clients as on date of settlement and for next day's business, he may retain funds /margin to the extent of value of transactions executed on the day of such settlement in the cash market.
  - d) You need to bring any dispute arising from the statement of account or settlement so made to the notice of the stock broker in writing preferably within 7 (seven) working days from the date of receipt of funds or statement, as the case may be. In case of dispute, refer the matter in writing to the Investors Grievance Cell of the relevant Stock exchanges without delay.
14. In case you have not opted for maintaining running account and payout of funds is not received on the next working day of the receipt of payout from the exchanges, please refer the matter to the stock broker. In case there is dispute, ensure that you lodge a complaint in writing immediately with the Investors Grievance Cell of the relevant Stock exchange.
15. Please register your mobile number and email id with the stock broker, to receive trade confirmation alerts/ details of the transactions through SMS or email, by the end of the trading day, from the stock exchanges.

## **IN CASE OF TERMINATION OF TRADING MEMBERSHIP**

16. In case, a stock broker surrenders his membership, is expelled from membership or declared a defaulter; Stock exchanges gives a public notice inviting claims relating to only the “transactions executed on the trading system” of Stock exchange, from the investors. Ensure that you lodge a claim with the relevant Stock exchanges within the stipulated period and with the supporting documents.
17. Familiarize yourself with the protection accorded to the money and/or securities you may deposit with your stock broker, particularly in the event of a default or the stock broker’s insolvency or bankruptcy and the extent to which you may recover such money and/or securities may be governed by the Bye-laws and Regulations of the relevant Stock exchange where the trade was executed and the scheme of the Investors’ Protection Fund in force from time to time.

## **DISPUTES/ COMPLAINTS**

18. Please note that the details of the arbitration proceedings, penal action against the brokers and investor complaints against the stock brokers are displayed on the website of the relevant Stockexchange.

19. In case your issue/problem/grievance is not being sorted out by concerned stock broker/sub-broker then you may take up the matter with the concerned Stock exchange. If you are not satisfied with the resolution of your complaint then you can escalate the matter to SEBI.
20. Note that all the stock broker/sub-brokers have been mandated by SEBI to designate an e-mail ID of the grievance redressal division/compliance officer exclusively for the purpose of registering complaints.

## **LIQUIDATION AND CLOSE OUT OF POSITION EFFECTIVE FROM 1st October 2019.**

- As per SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, no clients debit can be carried beyond T+5 days, so in case of non-payment from client, stock broker with pre intimation to client, will clear the debit balance by selling the securities in stock market. Pursuant to so liquidation as per SEBI circular, any fund credited in account will be passed on to client by way of pay-out and demand will be generated if there is debit balance after liquidation in client’s account. So please take care of ledger balance in your trading account.



## POLICIES AND PROCEDURES

This document outlines various policies and procedures framed and followed by Monarch Network Capital Limited (“MNCL”) with respect to its dealing with its constituents as a stock broker on National Stock Exchange of India Ltd. (“NSE”), Bombay Stock Exchange Ltd. (“BSE”) and Metropolitan Stock Exchange of India Limited (“MSEI”) (collectively hereinafter referred as “the Exchanges”). The policies and procedures as stated herein below are subject to change from time to time at the sole discretion of MNCL, depending upon regulatory changes, its risk management framework, other market conditions etc. The said policies and procedures and any revision/updation in the same from time to time is/will be available in the Constituent’s web login provided by MNCL on its web site and/or shall be communicated through email/writing. The Constituent can access and refer to such policies and procedures by using user id and password provided by MNCL.

**A. Refusal of orders for Penny Stocks and/or Illiquid Stocks/Contracts/Options**

In View of the risks associated in dealing with Penny Stocks and/or Illiquid Stocks /Contracts / Options, MNCL would generally advice its constituents to desist from trading in them. Further, SEBI, Exchanges or MNCL may issue circulars or guidelines necessitating exercising additional due diligence by the constituents, for dealing in such securities.

A Security may be treated as Penny Stocks/ Illiquid Stock/ Contracts/ Options if it falls in any one category as mentioned herein below:

- list of illiquid securities issued by the Exchanges periodically.
- Trade-to-Trade settlement.
- “Z” group.
- Illiquid options / far month options / long dated options.
- Any other securities / Contracts / Options as may be decided by MNCL, which may be considered by MNCL in its sole discretion as volatile or have concentration risk at constituent level or at the security level or any other reason.

Trading in such securities will be allowed to the constituent at the sole and absolute discretion of MNCL such securities may be blocked in normal trading system and any dealing in such securities will be allowed only on the approval of the Risk team as it may deem fit. MNCL may restrict the quantity of such funds/securities before allowing trades in such securities.

Under no circumstances, MNCL shall be responsible for non-execution/delay in execution of such orders and consequential opportunity loss or financial loss to the constituent.

The above list of criteria is an indicative list. MNCL may at its sole and absolute discretion define from time to time other category/criteria to treat a security as Penny Stocks/ Illiquid Stock/ Contracts/ Options.

**B. Setting up the Constituents exposure limits**

While setting up the exposure limits for and on behalf of the constituents, MNCL broadly takes into consideration the regulatory requirement, constituent profile, internal risk management policy,

market conditions, etc. Considering the said parameters the exposure limit for a constituent would be set up as follows:

- Exposure limits to the constituent will be provided based on the available margin in the constituent's broking account maintained with MNCL.
- The exposure limit will be a certain multiple of the available margin. Such multiplier will be as decided by MNCL from time to time and may vary from constituent to constituent.
- On a case-to-case basis MNCL, at its sole and absolute discretion, may allow higher exposure limits to the constituent.
- In case of cash segment, MNCL may at its sole and absolute discretion allow clean exposure limits up to certain amount to the constituent without insisting for any credit balance and/or margin. The quantum of clean exposure limit shall be decided by MNCL. On a case-to-case basis MNCL may, at its sole and absolute discretion, give higher clean exposure limits to certain set of the constituents. MNCL reserves the right to withdraw clean exposure limit granted to the constituent at any point of time at its sole and absolute discretion. The constituent cannot raise any concern/dispute for the same.
- Available margin for the purpose of granting exposure is calculated as a sum of free credit balance of the constituent in MNCL's books,

margin in the form of funds, securities, of the constituent available with MNCL, and the value of securities held in the constituent's demat account for which power of attorney is granted in favor of MNCL.

- The choice of the securities to be considered as margin shall be determined by MNCL at its sole discretion from time to time and the constituent shall abide by the same.
- While granting the exposure limit, margin in the form of securities will be valued as per the latest available closing price on NSE or BSE after applying appropriate haircut as may be decided by MNCL at its sole discretion.
- MNCL may from time to time depending on market conditions, profile and history of the constituent, types and nature of scrip, etc. at its sole discretion charge/change the rate of haircut applicable on the securities given as margin, multiplier for granting exposure in Cash/F&O segments and take such steps as MNCL may deem fit and appropriate.
- The Constituent will have to abide by the exposure limit set by MNCL.

### C. **Applicable Brokerage Rate**

For rendering the broking services, MNCL charges brokerage to the constituent. The Brokerage rate will be as per the terms agreed with the constituent at the time of constituent registration.

The brokerage rate may be varied in future as agreed between the constituent and MNCL in writing.

The brokerage rate at no point of time will exceed the rates as may be specified by the Exchanges/SEBI from time to time.

- **For Cash Market Segment :**

The maximum brokerage chargeable in relation to trades effected in the securities admitted to dealings on the Capital Market segment of the Exchange shall be 2.5% of the contract price exclusive of statutory levies. It is hereby further clarified that where the sale / purchase value of a share is ` 10/- or less, a maximum brokerage of 25 paise per share may be collected.

- **For Option Contracts.**

Brokerage for option contracts shall be charged on the premium amount at which the option contract was bought or sold and not on the strike price of the option contract.

It is hereby further clarified that brokerage on option contracts shall not exceed 2.5% of the premium amount or ` 100/- (per lot) which is higher.

The brokerage will be exclusive of the following except in cases where it is agreed otherwise:

- GST and Education Cess
- SEBI / Exchange charges
- Stamp duty
- Statutory charges payable to Exchange/ SEBI/ Govt. Authorities etc.
- Any other charges towards customized/ specialized service only

if client specifically consents.

- D. **Imposition of Penalty/ delayed payment charges by either party, specifying the rate and the period**

- **Imposition of Penalties**

The Exchange/ Clearing Corporation/ SEBI levies penalties on the broker for irregularities observed by them during the course of business. MNCL shall recover such imposed penalties/ levies, if any, by the Exchange / regulators, from the constituent which arise on account of dealings by such constituent. Few of the examples of violations for which penalties may be levied are as follows:

- Auction of securities pursuant to short deliveries by the constituent;
- Short margin reporting in F&O Segment;
- Any other reasons which may be specified by the Exchanges/ Clearing Corporation/ SEBI from time to time.

Such recovery would be by way of debit in the ledger of the constituent and amounts would be adjusted against the dues.

- **Delayed payment charges**

While dealing with MNCL it is a responsibility of the constituent to ensure that the required margins (including but not limited to initial margin, mark to market and/or other margins), any outstanding settlement obligations and/or any other dues payable to MNCL are paid within the time period stipulated by the Exchanges or MNCL, whichever is earlier.

In the event if the constituent defaults in meeting its above said obligations towards MNCL and maintain any debit balance in MNCL's books beyond the stipulated time period, MNCL shall have absolute discretion to charge and recover from the constituent's account, delayed payment charges at 22% p.a.

Delayed payment charges are only a penal measure. The constituent should not construe it as funding arrangement. The constituent cannot demand continuation of service on a permanent basis citing levy of delayed payment charges

The constituent will not be entitled to any interest on the credit balance/surplus margin available/kept with MNCL.

**E. The right to sell constituents' securities or close constituents' positions, without giving notice to the constituent on account of non-payment of constituent's dues.**

The constituent needs to furnish adequate margin as specified by MNCL from time to time from its sole and absolute discretion. It shall be the constituent's responsibility to ascertain in advance the margin requirement for his/her/its order/trades/deals and to ensure that the required margin is made available to MNCL in such form and manner as may be required by MNCL. Limits/exposures will be available as per available requisite margin.

The Constituent shall fulfill all his/her/its settlement obligations to MNCL within the time frame stipulated

by the MNCL or the Exchanges, whichever is earlier.

The margin will have to be paid within the time frame stipulated by the Exchanges or MNCL, generally in case of fresh positions upfront, in case of mark to market and/or any other additional margins before the commencement of trading on next trading day and in case where the Exchanges levy and/or increase any margin required during the day, immediately upon levy and/or increase in any such margin.

"Without prejudice to its other rights and remedies available under the member constituent document (s) executed/to be executed by and between the constituent and MNCL (hereinafter referred to as "the Document") or at law, MNCL shall be entitled, in its sole and absolute discretion, to liquidate/close out all or any of the constituent's open/outstanding position, sell the constituent's securities (whether approved by MNCL or not) available with MNCL and/or held in the constituent's demat account for which power of attorney is granted in favor of MNCL at any time to recover its dues without giving any notice to the constituent in the following circumstances."

- a. If the constituent fails to pay any margin, settlement obligations and/or other liabilities (including but not limited to DP charges) due to MNCL within the stipulated timeframe;
- b. In the event that the market value of the constituent's securities, lying as margin or

bought by the constituent for which payment is not made by the constituent, for any reason of fall or is anticipated to fall, or circumstances arise or are likely to arise which may in the sole opinion of MNCL jeopardize its interest and expose it or is likely to expose it to any financial loss or damage.

- c. In case of Constituent breaching 85% threshold limit of ledger debit (all segment ledger balances) compared to total stock valuation.
- d. In case of margin shortfall on open F&O positions, positions may be closed.
- e. All intra day positions (Cash and F&O) shall be squared off at pre specified time from the HO.

The MNCL reserves the right to set the threshold limits for liquidation of constituents positions. Such threshold limits will be communicated from time to time orally, and or through emails, or through its trading terminals, branch representatives etc.

However in the event of extreme volatility and or constituents open (outstanding) position resulting in mark to market losses beyond MNCL's threshold anytime during the trading session, and or constituents positions or collateral being not saleable, thereby forcing MNCL liquidate any of the constituents available positions and collateral, same shall be done by MNCL during the course of a trading session without recourse to the constituent.

Any and all losses (actual), financial charges, damages on account of such liquidation/sell/closing- out shall be borne by the constituent only.

**F. Shortages in obligations arising out of internal netting of trades**

MNCL has right to allocate securities / credits amongst the constituents and other constituents of MNCL in a manner and form that MNCL deems fit where MNCL has net purchase obligations with the exchange but receives short delivery from the exchange and the exchange is able to deliver to the MNCL only in part after the auction settlement and part is closed out by the exchange as per exchange rules.

In the event of the constituent unable to deliver securities against his/her/its sale obligation, the MNCL shall have the express authority to close out the transaction of the said securities in question to meet the obligation of the MNCL to the exchange or the MNCL's other constituents arising out of such failure of the constituent, without further reference to the constituent. The constituent shall be fully responsible for any losses/ charges sustained by MNCL, as a result of above failure.

**G. Conditions under which the constituent may not be allowed to take further position or MNCL may close the existing position of the constituent.**

An illustrative list of circumstances in which MNCL may not allow the constituent to take further positions or may close/liquidate a part of or whole of the existing position of the

constituent are as follows:

- Failure by the constituent in providing sufficient/adequate margin (s) and/or insufficient/inadequate free credit balance available in constituents' broking account with MNCL;
- If the constituent fails to deposit the margin/additional margin by the deadline or if an outstanding debt occurs in the Constituents' brokerage account with MNCL beyond the stipulated time period;
- If the constituent fails to maintain the requisite margin in such form and manner as may be specified by MNCL from time to time;
- Settlement obligations are not paid by the constituent within the time frame allowed by the Exchanges or as per the norms specified by MNCL from time to time as its sole and absolute discretion;
- Securities falling in the category of Penny Stocks/ Illiquid Stocks/ Contract/ Options as described in policy (b) above;
- Trades which apparently in the sole and absolute discretion of MNCL seems to be Synchronized trades/ Circular trading/ Artificial trading/ manipulative in nature, etc.;
- Securities/F&O contracts banned by the regulatory authorities;
- Any ban imposed on the constituent by the regulatory authorities;
- Where name of the constituent apparently resembles with the name appearing in the list of

- debarred entities published by SEBI/Exchanges (where the information available for the debarred entity (other than name) is not sufficient enough to establish that the constituent and such debarred entity are one and the same);
- The constituent fails to furnish documents/information as may be called for by MNCL from time to time as per regulatory requirement and/or as per its internal policy.
- In the event of death or insolvency of the constituent otherwise becoming incapable of receiving and paying for or delivering or transferring securities which the constituent has ordered to be bought or sold;
- Depending on the market circumstances if MNCL is of the view that the positions of the constituents are at risk then MNCL may close the existing position without waiting for the pay-in schedule of the Exchanges.

MNCL may take the action under this policy with/without giving any notice or intimation to the constituent. MNCL will not be responsible for any opportunity loss or financial loss to the constituent in the event any action taken by it under this policy.

#### **H. Temporary suspending or closing constituent's broking account at constituent's request**

A Constituent who wishes to temporarily suspend or close his/her/its broking account can do so by submitting a written request or by email (through email id registered

with MNCL) in the form and format as may be prescribed by MNCL. The request has to be submitted to the head office of MNCL. Constituent may be temporarily / permanently suspended on account of gravity of grievance raised by / against constituent.

Prior to submission of such request the constituent should ensure that all amounts due and payable to MNCL are paid. Requests from a constituent where no dues are outstanding would be processed within 3 working days from the date of receipt of the request.

#### **I. Dormant Account Policy**

Any constituent who has not traded in any segment of any of the Exchanges with MNCL for the last 12 months would be termed as a Dormant/ Inactive Constituent.

Constituents accounts will be closed on receipt of a written request of the constituent and after settlement of all dues debits/credits.

Re-activation of such accounts will require a written request from the constituent in the prescribed format with latest proof of address / any other KYC related documents.

#### **J. De-registering a Constituent**

Without prejudice to MNCL's right and remedies available under the Document, MNCL may forthwith, at its sole and absolute discretion, de-register the constituent with/ without prior notice/intimation in the following circumstances:

- Where the constituent indulges in any irregular trading activities like synchronized trading, price

manipulation, trading in illiquid securities/options/contracts, self trades, trading in securities at prices significantly away from market prices, etc.;

- Any enquiry/ investigation is initiated by the Exchanges/regulators against the constituent;

- Any regulatory action taken/ initiated against the constituent by the Exchanges/regulators including but not limited to debarring the constituent from accessing the capital market;

- Where name of the constituent apparently resembles with the name appearing in the list of debarred entities published by SEBI/Exchanges (where no information other than name is available);

- Name of the constituent appears in database/websites of CIBIL, Watch Out Investors, World check, etc;

- The constituent having suspicious background or link with suspicious organization;

- Where the constituent is non-traceable, has pending disputes with MNCL, possibility of a default by the constituent;

- Any other circumstances leading to a breach of confidence in the constituent for reasons like return of undelivered couriers citing reason of "No such person / Addressee left / Refusal to accept mails etc.", continues cheque bouncing or not furnishing the financial and other details as may be called for by MNCL from time to time, etc.;

- Upon receipt of written information about the death of the

constituent;

- Such other circumstances which in the sole opinion of MNCL warrants to de-register the constituent.

In all such case, MNCL shall have the right to close out the existing open positions/ contracts, sell/liquidate the margin (in any form) to recover its dues, if any, before de-registering the constituent. Any action taken by MNCL in terms of this policy shall not be challenged by the constituent, and MNCL shall not be liable to the constituent for any loss or damage (actual), which may be caused to the constituent as a result. Also while de-registering the constituent, MNCL may retain certain amount/securities due/ belonging to the constituent for meeting any penalties etc. arising out of dealing of the constituent with MNCL. In case if any securities retained by MNCL is sold/ liquidated to recover any such losses, etc., MNCL shall have the sole authority to decide the mode, manner and the price at which to effect the sale of securities and the constituent can not raise any disputes as to the manner, mode and the price at which the securities are sold by MNCL.

In any of the above circumstances, if the constituent is able to justify his/her/ its innocence either by producing any record, document or otherwise to the full satisfaction of MNCL, MNCL may reconsider its decision of de-registering the constituent. However in no circumstances any action taken by MNCL till the date of re-registration shall be challenged by the constituent and MNCL shall not be liable to the constituent for any loss or damage (actual), which may be caused to the

constituent as a result.

General

## **LIQUIDATION AND CLOSE OUT OF POSITION EFFECTIVE FROM 1st October 2019.**

As per SEBI circular CIR/HO/MIRSD/DOP/ CIR/P/2019/75 dated June 20, 2019 , no clients debit can be carried beyond T+5 days , so in case of non-payment from client , stock broker with pre intimation to client , will clear the debit balance by selling the securities in stock market. Pursuant to so liquidation as per SEBI circular , any fund credited in account will be passed on to client by way of pay-out and demand will be generated if there is debit balance after liquidation in client's account. For other criteria of liquidation please refer RMS policy on our website <https://www.mnclgroup.com>

MNCL shall have the right at its sole and absolute discretion to amend/change/revise any of the above said policies and procedure at time in future and the same shall be binding on the constituent forthwith. MNCL shall also intimate such changes to the constituent by writing/email.

Constituent's acceptance of Policies and Procedures stated herein above:

I/We have read and fully understood the policies and procedures stated hereinabove. I/We hereby agree to abide by the same. Further, I/We have taken note of the fact that these policies and procedures may be amended/changed/revise by MNCL at any time in future and such amended/changed/ revised policy and procedures will be made available in my/our web login provided by MNCL on its website.



## POLICIES AND PROCEDURES FOR CLIENT DEALINGS - ALL ExCHANGES -

### MANDATORY

(as required by SEBI circular MIRSD/ SE / Cir-19/2009 dated December 3, 2009)

1. **Penny / Illiquid Stocks or contracts;** The Client Understands and agrees that the trading member may at any time at its sole discretion and without prior notice, refuse, prohibit or restrict the client's ability to place orders or trades in penny / illiquid stocks or derivative contracts. For this purpose penny / illiquid stock means stocks which are appearing in the list of illiquid securities issued by the exchanges every month and derivative contract means , the contracts which becomes illiquid during some time of its existence validity time period.
2. **Setting up exposure Limit:** The client is aware & agrees that the trading member may need to vary or reduce the exposures limit or impose new limits urgently on the basis of trading members risk perception and other factors considered relevant by the stock brokers. The trading member may be unable to inform the client of such variation, reduction or imposition in advance.
3. **Brokerage rate:** The client understands and agrees that the trading member charge brokerage and other statutory charges and levies as per the rates mentioned in the schedule of charges of the client registration form.
4. **Delayed payment charges / Penalty:** The Client agrees that without prejudice to any other remedy or right prescribed in the present, the trading member may charge delayed payment / penalty charges on the debit balance of the client which is not settled as per exchange norms, @ 22% per annum.
5. **Position Square off:** The client is aware and agrees that in case of debit balance in client account, non-payment of margin or client's dues as per exchange norms, the trading member may sell client securities or close client's position, without giving any notice to the client and loss / profit arise on such transaction will be treated as normal profit / loss of the client.
6. **Internal Shortage:** In case of internal shortage of securities, any entry passed to the account of the client in accordance with the practice consistently followed by the trading member across all its clients shall be binding on the client. Further in case of shortage of securities, the client agrees and authorizes trading member to buy shares on behalf of the client and debit the amount for the same to the client trading account maintained with the trading member.
7. **Restrictions on further position or close out:** The client is aware and agrees that in case of insufficient balance in his trading account on account of pay in / MTM margin obligation or non payment of client's dues as per the exchange norms, the trading member may refuse to take further position and / or close the existing position of the client to make client account good.

8. **Temporary Suspension or closing:** The client shall be entitled to temporarily suspend / close his account without giving any reason to the trading member, after giving notice in writing. Notwithstanding any such termination, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered in to prior to the termination of this agreement shall continue to subsist and vest in / be binding on the respective parties.

9. **Deregistering:** In the event of

default under this agreement by the client, the trading member shall be entitled to any or all of the following course of action:

I. Immediate termination of this agreement and termination of the provisions of services in terms of this agreement.

II. Other remedies as may be available in terms of law in force, at that point of time.

III. Arbitration in terms of this agreement.

## NOTE ON PMLA

Dear Investor!!

Subject: Prevention of Money Laundering

Money laundering is a process of making dirty money clean. Money is moved around the financial system again and again in such manner that its origin gets hidden.

It involves complex chain of activities whereby huge amount of money generated from illegitimate activities viz. selling of narcotic drugs, extortion, corruption, illicit dealing in weapons, human trafficking, etc. is put through a series of process so that it comes out at the other end as clean and legal money. Terrorist organizations encourage money laundering to support their illegal acts.

It is important to note that due to increased vigilance in the wake of threats emanating from increasing terrorism, any failure on our part to discharge the duties cast on us under the applicable laws or we becoming an instrumental or a part of the chain, even if unknowingly or ignorantly, may invite the trouble.

In order to fight against the money laundering and terrorist financing the Prevention of

Money Laundering Act (PMLA) was brought into force w.e.f. July 1, 2005 in India. Guidelines were also issued in the context of the recommendations made by the Financial Action Task Force on anti-money laundering standards. Compliance with these standards has become imperative for international financial relations.

PMLA is applicable to every intermediary registered with Securities & Exchange Board of India (SEBI), which includes a stockbroker, depository participant, portfolio manager, sub-broker and any other intermediary associated with securities market.

As per the provisions of PMLA, the intermediaries are required to comply with Know Your Client (KYC) norms, conduct ongoing client due diligence to ensure that the activity being conducted in any account is consistent with the intermediary's knowledge of the client, its business and risk profile.

In light of the above, you are requested to provide the information or documents evidencing source of funds, income tax returns, bank records, demat holding, etc. at the time of registration as a client with us or subsequently whenever asked for during the course of your dealings with us.

## **AUTHORISATION FOR DEBITING VARIOUS DEPOSITORY CHARGES**

- a) I hereby give my consent/authority to debit/recover all types of depository charges viz annual maintenance charges, inter settlement charges, any type of transaction charges as is levied on me for the transactions carried out in my demat account including any statutory levies, services tax or any other tax/charges/ fees in/ from my trading ledger having the captioned client code as maintained with MNCL. I understand and agree that such depository charges will be debited in my trading ledger maintained with MNCL irrespective of the ledger balance on periodically and/or as per the details provided by MNCL.
- b) I instruct MNCL to provide the requisite information periodically and/or on occasion basis of such charges levied on me.
- c) I understand and consent that MNCL shall have the right to recover the depository charges like any other trade dues payable by me from my trading ledger. I hereby further authorize MNCL to set off a part or whole of the collateral/ledger balances/ securities in my demat account i.e. by way of appropriation of the relevant amount of cash or by way of sell or transfer or liquidation/ close out positions of all or some of the securities placed as collateral or lying in my demat account as stated above for the purpose of clearing any outstanding amount related to the aforesaid demat account maintained with MNCL. Any and all losses and financial charges on account of such liquidation/ close-out shall be borne by me.

## **AUTHORISATION FOR ADJUSTMENT OF AMOUNTS/ BALANCES AND RETAINING OF FUNDS**

I/We hereby authorise Monarch Network Capital Limited (hereinafter referred as MNCL) for adjusting Debits/Credits with regards to my/our broking account,

for transactions in the Capital market, Derivatives market (F&O) and Currency Derivative segments of NSE, BSE and MSEI where MNCL holds membership.

**FEMA DECLARATION**  
(To be submitted by NRI applicant)

To

Monarch Network Capital Limited  
901/902, 9th Floor, Atlanta Centre, Opp. Udyog Bhawan, Sonawala Road,  
Goregaon (E), Mumbai - 400 063

I/We hereby declare that all transactions, as may be entrusted by us to Monarch Network Capital Limited from time to time will be in strict conformity with the prevailing provisions of Foreign Exchange Management Act, 1999 (FEMA) and regulations/directions issued by Reserve Bank of India at the time the transactions are put through.

I/We declare that all the securities held by me / us and to be purchased were / will be, subject to necessary approvals and compliances under FEMA and any other applicable law.

I/We undertake to indemnify Monarch Network Capital Limited against any actual loss incurred by Monarch Network Capital

Limited due to non compliance by me / us with FEMA or any other regulations in place.

I/We also hereby agree and undertake to give such information/documents as will satisfy you about transaction(s) in terms of the above declaration as may be required from time to time.

I/We also understand that if I/We refuse to comply with any such requirement or make only unsatisfactory compliance therewith, Monarch Network Capital Limited may refuse to undertake the transaction and shall if it has reason to believe that any contravention/evasion is contemplated by me/us report the matter to relevant authority/Reserve Bank of India.

Name of Applicant:



# MONARCH

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## NETWORTH CAPITAL

*wealthcare redefined*

**Monarch Network Capital** (SEBI Regi. No.: INZ000008037)  
(Formerly Known as Networth Stock Broking Ltd.)

**Corporate Office :**

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T.: +91-79-26666500, 66000500

**Registered Office :**

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