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

1. Refusal of order for Penny stocks:

B D SHAH SECURITIES LIMITED (herein after referred as BDSSL) shall have the absolute discretion to accept, refuse or partially accept any buy or sell order for execution from a client in respect of penny stocks, illiquid stocks, stocks having low liquidity, illiquid "options", far month "options", writing of "options", stocks in T, TS, Z and B2 category and any other contracts which as per the perception of BDSSL are extremely volatile or subject to Market manipulation.

BDSSL may permit restrictive acceptance of orders in such scrips/contracts in controlled environments like orders received from clients being forwarded by branches to a centralized desk at HO instead of allowing trading in such scrips/Contracts at branch level or through Online trading platform. BDSSL shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the client.

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

BDSSL shall have the prerogative to place such restrictions, notwithstanding the fact that the client has adequate credit balance or margin available in his account and/or the client had previously purchased or sold such securities / contracts through BDSSL itself.

2. Setting up client's Exposure limits:

Purchase Limit: BDSSL may provide an exposure limit for intraday and delivery based purchases by a client which would be a multiple (varying between one to ten times) of the clear ledger balance in the account of the client plus value of paid up collaterals computed after appropriate haircut and / or Rs. 100000/- whichever is higher. The value of the "multiple" and the "haircut" shall be decided by BDSSL based on Market Volatility and quality of collaterals.

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

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

Client-wise differential Limits: BDSSL shall have the prerogative to allow differential purchase limits and sell limits varying from client to client, depending upon credit worthiness, integrity and past conduct of each client.

3. Applicable Brokerage Rates

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

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

The brokerage shall however be exclusive of the following:

- DP Annual maintenance charges
- DP transaction charges / Pledge / Re-pledge / Demat / Remat charges
- DP Inter settlement charges
- Account Opening charges
- Delayed Payment charges
- Penalties levied by Exchange
- Research advisory charges
- Courier charges
- Bank charges towards the cheques received unpaid,
- DP, Bank and other processing charges towards periodic settlement of Funds/Securities on periodic basis
- Statutory charges payable to Exchange/SEBI/Govt. Authorities etc.,
- SEBI/Exchange/Clearing Member Turnover charges
- Other out of pocket and service related charges

4. Imposition of Penalty / delayed payment charges / other charges:

Pursuant to Exchange Bye-laws, the Member broker is currently required to make pay-in of funds to the Exchange by T+2 mornings and arrange delivery of securities to the Exchange latest by T+2 morning. Further Member broker is also required to maintain adequate upfront margins with the Exchange to avail exposure for trading. The Exchanges have also defined the ratios in which the cash and collaterals are to be deposited and maintained by the Member broker. In addition the Exchange requires the member broker to deposit some of the margins like MTM, in Cash only.

In order to manage its working capital, BDSSL requires fullest cooperation of the clients in meeting their respective obligation towards pay in and margins.

BDSSL is therefore authorized by the client to charge a delayed payment penalty, not exceeding 2% per month, on account of delays/failure by the client in meeting the pay-in obligations on the scheduled date and also where the clients take exposure in F&O segment by depositing collaterals in a ratio which is disproportionate to the Cash versus collaterals ratios prescribed by the Exchanges. While levying delayed payment charges or interest on the debit balance in the running account of a client, BDSSL may not consider any credit balance in the other family or group account of the client.

Penalties levied by Exchanges:

Further Exchanges levy various penalties on the member brokers on auction resulting from short deliveries, non adherence to client-wise exposure limits, client-wise shortfall in F&O Margin and for other reasons which may be defined by the Exchange from time to time. BDSSL is therefore authorized by the client to pass on any penalty imposed by the Exchange/SEBI and or any other regulatory authority to the client, which arises on account of the client.

Interest Free Deposits:

BDSSL provides exposure against the upfront margin received in the form of cash / collateral from the client and the client also has the prerogative to demand withdrawal of cash and collaterals at his discretion, BDSSL shall not pay any interest or other benefit to the client for maintaining cash balances or depositing collateral margins with BDSSL.

5. The right to sell clients' securities or close clients' positions, without giving notice to the client, on account of non-payment of client's dues (This shall be limited to the extent of settlement/margin obligation)

BDSSL shall have right to sell client's securities, both unpaid securities as well as collaterals deposited towards margins, or close out client's open positions, without giving notice to the client where there is a delay/ failure of the client to meet the pay-in obligations and / or there is a failure of the client to bring additional margins to cover the increase in risk in the dynamic market conditions.

a. Unpaid Securities in Capital Market:

   i.   In case of unpaid obligation on T+3, BDSSL may sell the unpaid/ partially paid securities. In addition BDSSL may sell the collaterals deposited by the client towards margins and/ or paid securities purchased by the client in earlier settlements where the sale of proceeds of unpaid securities are inadequate to cover the pay-in obligations and/ where the unpaid securities appear to be comparatively illiquid and cannot be sold at reasonable rates to the extent required.

ii. BDSSL may follow the LIFO method for liquidation of securities but it may not binding on it to follow this method in all cases.

b. The margin shortfall in F&O:

i. Positions of the client may be closed out to the extent of margin shortfall on the T+1 basis.

ii. While computing margin shortfall, value of unapproved securities shall not be considered.

iii. As per the current Exchange requirements, the Member Broker is required to maintain a 50:50 ratio between cash and collaterals margin deposited with the Exchange. BDSSL shall therefore have the prerogative to insist for at least 50% of margin in cash and may not consider the value of securities over and above the cash component for the purpose of calculating margins shortfall and close the F&O position where it finds the deviation. However, sales made in capital market segment are not considered while closing F&O positions on T+1 basis due to margin shortfall.

c. Intra-day Positions:

BDSSL shall have right to close out any intra-day positions taken by the client after a defined "Cut-off" time (Presently not implemented).

d. General:

i. While selling the securities/ closing the clients positions, BDSSL may take into account the sales made by the client, positions closed by the client or collections received from the client till a cut-off time (presently not implemented).

ii. While selling the securities/ closing the clients positions, BDSSL may not take into consideration Cheques/Bank drafts/Pay orders deposited by the client with BDSSL until clear proceeds of such instruments are received by BDSSL in its bank account.

iii. BDSSL shall have the right to sell client's securities or close out client's open positions but it shall not be under any obligations to undertake this exercise compulsorily. BDSSL shall therefore not be under any obligation to compensate/ or provide reasons of any delay or omission on its part to sell client's securities or close open positions of the client.

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

BDSSL shall have the right to adopt a policy of its choice for internal auctions arising out of internal netting of trades and charge to defaulter seller and compensate the impacted purchaser as per the policy.

7. Conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client

a. All Markets:

Where client is not having adequate margins as per conditions defined in Risk Management policy under Section 2.

b. Capital Market:

  i.   Where the client has not able to meet his pay-in obligation in cash by the schedule date of pay-in irrespective of the value of collaterals available with BDSSL.

  ii. Clear proceeds of the cheque deposited by the client to meet the pay-in obligations have not yet been received by BDSSL.

  iii. Client is trading in "illiquid" scrips and volumes in his account exceed internal cut off limit fixed by BDSSL.

  iv. BDSSL exposure at "house level" in a specific scrip / contract exceeds the internal limits fixed by BDSSL.

c. F&O:

  i.   Where the client has not met Market to Market loss in cash

  ii. Where the "open" positions in a contract exceed or are close to market wide cut-off limits

  iii. Where the client's position is close to client-wise permissible "open" positions

d. INTRA-DAY:

Clients will not be able to place intra-day orders after a cut-off time fixed by BDSSL. (Presently not implemented)

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

8. Temporarily suspending or closing a client's account:

BDSSL may carry a periodic review of the client accounts and may suspend the accounts from Trading in the following circumstances:

- Where the client is inactive for more than 3 months

- Where the client has not cleared the naked or uncovered debits with in prescribed time.

- Where the account is under investigation by any regulatory body.

- Based on the recommendations made by the Branch Manager due to excessive speculations, un-cleared balances.

- Physical contract notes are received back undelivered due to reasons like "no such person", "addressee" left, refusal to accept mails, POD's signed by the third persons, signature mismatch on POD's or other reasons which may create suspicion, after" close out" of the open positions.

- ECN failed (Bounced email) on more than 3 instances until client submits and registers new email id.

- Non delivery of the Statement of Account sent on periodic basis.

- Non updation of communications details viz., email id, Mobile no, Land line details or it is found to be belonging to a third person.

- Client lodges a compliant either directly with BDSSL or through Exchange relating alleged unauthorized Trades being executed in the account.

- On notices received from statutory, Government or Local authorities and Income Tax, Service Tax, a Judicial or a Quasi Judicial authority, etc

- Where a client is reported to or known to have expired.

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

9. Deregistering a client

- BDSSL may de-register the client account based on action taken by SEBI/NSE/BSE/FIU and other competent legal entities or being part of list of debarred entities published by SEBI.

- BDSSL may also initiate action for deregistering a client on basis of information found in sites of CIBIL, Watch out investors, world check or client having suspicious back ground, link with suspicious organization, etc.,

- BDSSL shall have right to close out the existing positions, sell the collaterals to recover its dues, if any, before de-registering the client.

- BDSSL may freeze the assets of the client where it deems prudent, at time of deregistering a client.

- BDSSL shall have the right to deregister a client after serving a 15 days written notice without assigning any reason thereof.

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