POLICIES AND PROCEDURES

Penny Stocks:
Clients may note that all the stocks and securities/commodities listed on the stock and/or commodity exchanges are not actively traded. In other words, there are no readily available sellers or buyers in those securities/commodities and/or there are not sufficient trades or volumes from which the market may be arrived at with some reliability. Such stocks are called 'illiquid securities/commodities' or 'Penny stocks'. They are comparatively more vulnerable to market manipulation and / price rigging. The spread, i.e., the difference between the offer price and the bid price is usually wide and their purchase or sale at a given time may be difficult and in any case uncertain. Exchanges bring out monthly list of such securities/commodities based on the volume during the last calendar month.

We do not encourage trading in penny stocks and trade is not allowed in illiquid securities/commodities. In exceptional cases, before allowing a trade in illiquid securities/commodities or less liquid securities/ commodities, we may make further enquiry, in case of instructions for sale, into the nature and duration for holding and in case of purchase instructions, into the client's trading experience, knowledge about the risk in penny stocks, risk appetite and proportion of such stocks to total investment, etc.. This may cause time gap between placing an order and its execution. The Clients will have to bear that risk of delay in execution or our rejection in respect of illiquid securities/commodities. Client's instructions for trading in illiquid securities/commodities may be rejected without assigning any reason.

Setting up Client's Exposure Limit:
The Exchange may from time to time fix client exposures limits in the interest of orderly working of the markets. Within that overall ceiling, a client can trade within the exposure limit set from time to time by the Broker/Member of the client. Exposure limit is fixed on the basis of the funds and value after haircut of the securities/commodities provided by the client for margin. Clients are requested to adhere to the exposure limits as crossing the line may involve either a call for margin or restriction on further position/exposure. We may need to vary or reduce or impose new limits urgently on the basis of our risk perception, risk profile of the clients and other factor considered relevant including but not limited to limits on account of exchange/ SEBI directions/ limits (such as broker level/ market level limits in security specific / volume specific exposures etc.). Sometimes we may be unable to inform the clients of such variation, reduction or imposition in advance. We shall not be held responsible for such variation, reduction or imposition or the client's inability to route any order through our trading system on account of any such variation, reduction or imposition of limits. In the sole discretion of the Company, a client may be allowed trade beyond exposure limit or the limit may be increased. A client having availed such indulgence shall not be heard to complain about his trades only on this account and shall meet the margin shortfall at the earliest without waiting for reminder. The fair rule is Limit your exposure so as to limit your risk to your means.

Brokerage Rate:
We do not charge any brokerage in excess of the rate(s) provided by the SEBI/Exchange. The agreed rates of brokerage are part of this KYC and the clients are advised to fully satisfy themselves about the same before signing. The Brokerage is charges on both Buy & Sell, except otherwise indicated in the schedule of brokerage. Brokerage rates may be changed from time to time but shall not be increased without prior 15 (fifteen) days' notice. Only Head Office is competent to reduce the rates of brokerage and no employee or officer at Branches is not authorized to do so.

Delay Payment Charges and Penalties:
Clients are required and expected to meet their fund obligations immediately, when due, as per SEBI / Exchanges requirements and not make us use our funds to meet their fund obligation. For the clients who do not pay on time your broker/member has to pay or the client has to suffer penalties by the Exchanges. So as to be compensated in such an eventuality, we may levy Delay payment Charges on the amounts, not exceeding the debit balance in the ledger, for the period of delay. The present rate of delay payment charge is 18% per annum calculated on monthly basis for the period of delay.

We do not pay interest on the clients' funds and securities/commodities received towards margin. In exceptional cases, considering the value of margin, its utilization, the client's past history and the revenue generation from the client, we may agree to reverse Delay Payment Charges at such rate as determined from time to time but not exceeding the rate of Delay Payment Charges.

We may impose penalties for bouncing of cheque, bad deliveries, non-delivery, auction on failure of pay-in obligation, non-payment of margin money, actions or omission contrary to the Rules, regulations and Byelaws of the SEBI or Exchanges, to discourage such violations and recover the same from the Client's Account directly.

Where the company has to pay or suffer any penalty from any authority as a consequence of / in relation to / in connection with any orders/ instructions/ trades/ deals or actions of a client, the same shall be borne by the client.

The online clients are provided User ID and Internet Access to see their accounts online. Off-line clients will be provided with Back Office Access Code to see their accounts and upto-date positions.

We maintain specific banking and depository accounts, informed to the clients from time to time, for handling clients' funds and securities/commodities. The clients shall ensure timely availability of funds/securities/commodities in required form and manner, within stipulated time and in the designated bank and depository account(s) for meeting their liabilities and obtaining proper credit thereof. We do not undertake responsibility for any delay or other consequences arising from payment to any other account or non-receipt in time and manner in the designated account(s).

Right to sell clients securities/commodities or close clients' positions, without giving notice to the client on account of non-payment of dues. (Limited to settlement/margin obligations)

1. *Margin shortfall*

We do not believe in selling clients' securities/commodities or closing out their positions without sufficient notice to them. On the other hand, we expect our esteemed clients to be regular and punctual in meeting their fund obligations within regulatory prescribed timeline. The requirement of margin and the value of any security/commodity given/treated as Margin varies and multiplies with market volatility. For example – if the market goes down by 10%, not only an additional margin would be required equal to this 10%, but further margin would also be required to meet the erosion of value of the securities/commodities forming the margin. Higher is the margin deficit, shorter would be the time to make it up. However, in case the available margin falls below the given percentage, say 80%, informed in advance, we reserve the right to sell, dispose, transfer or deal in any other manner the securities/commodities already placed with it as Margin/lying in the Client Collateral account of Affinity Securities Private Limited (hereinafter referred to as "Affinity" for the sake of convenience) or square-off all or some of the outstanding derivatives/commodity derivatives positions of the CLIENT as it deems fit at its sole discretion without further reference to the client and any resultant or associated losses that may occur due to such square -off/sale shall be borne by the Client and Affinity shall be fully indemnified and held harmless by the client in this behalf at all times.

Any reference in these terms to sale or transfer of securities/commodities by Affinity shall be deemed to include sale of securities/commodities which form part of the Margin maintained by the CLIENT with Affinity.

In exercise of the rights of Affinity to sell securities/commodities due to margin shortfall, the client agrees that the choice of specific securities/commodities to be sold shall be solely at the discretion of Affinity.

We would have the discretion to square off the position of Client, with no obligation of communicating the same to the Client, in following circumstances:

(a) If the open position is neither squared off nor converted to Delivery by Client/s within the stipulated time or where Mark to market loss on the open position has reached the stipulated percentage of the margins placed with us.

(b) In all other cases where the margin or security placed by the Clients falls short of the requirement or where the limits given to the Client have been breached or where the Client has defaulted in his existing obligation within the stipulated time.

2. *Default in funds pay-in obligations*

(a) The purchased securities received in pay-out against which payment has been made by clients, shall be transferred to the demat account of the respective clients within one working day of the pay-out.

(b) It is the duty of the client to clear the payment of his purchased securities within T+2 trading day.

(c) Affinity shall liquidate the client securities received in pay-out if clear funds are not received from client within 5 trading days from the date of pay-out.

(d) The unpaid securities shall not be considered as margin.

The resultant or associated losses that may occur due to such squaring -off or sale of such securities/commodities shall be borne by the client, and Affinity shall be fully indemnified and held harmless by the client in this behalf. Such liquidation or close out of positions shall apply to any segment/exchange in which the client does business with Affinity.

The provisions specified herein do not confer any liability on Affinity to square off the clients positions. It shall be the responsibility of the client to pay to Affinity any due payable to Affinity irrespective of whether Affinity exercises its right to square off the positions of the client in accordance with the provisions given herein above.

Shortages in obligations (arising out of internal netting of trades or otherwise):
Stock/Commodity broker shall not be obliged to deliver any securities/commodities to the client unless and until the same has been received by the stock/commodity broker from the exchange, the clearing corporation/ clearing house or other entity liable to deliver the securities/commodities and the client has fulfilled his/her/its obligations first.

The policy and procedure for settlement of shortages in obligations arising out of internal netting of trades is as under:

a) The internal shortage delivery is purchased in Internal Shortage Covering A/c on T+2 day which is the delivery day on exchange (subject to availability of quantity short delivered) or in certain unavoidable circumstances on the T+3 day. The purchase consideration + penalty charge (2% of purchase amount) is debited to short delivering client A/c.

b) If the security cannot be purchased from market due to any force majeure condition within T+4 days then short delivery seller is debited at T+4 day’s closing rate + 10% (of closing rate) and purchaser is credited by the same amount.

c) In case corporate action like split bonus etc. exists in the particular scrip then original short quantity is purchased in Internal Shortage Covering A/c as procedure followed in short delivery case as mentioned above in point “a” and corporate action quantity is purchased in sellers account, however in case of non-availability of the security in the market, the procedure as laid down in point “b” above is followed.

Where a client buys securities in one settlement, and sells the same in a subsequent settlement, without having received the payout of the securities, any resulting auction / losses will be the sole responsibility of the client.

Conditions under which a client may not be allowed to take further position or his existing position may be closed:

Subject to a client's KYC verification and his meeting initial margin and other margin requirements, a client may take positions. However, he may not be allowed to take further position under any of the following circumstances:

a. SEBI or Exchange imposing restrictions on further exposures in cases of extreme volatility in the market or in a security/commodity or group of securities/commodities.
b. Client or the Broker/Member exceeding or touching exposures limits set by the Exchange in the particular scrip/contract.
c. Reasonable doubt as to bonafide of the transaction or identity of the client in the light of the financial status and objectives as disclosed in the KYC form.
d. Reasonable doubt as to the transaction being cross trade, circular trade, fraudulent practice or connected with price manipulation or market rigging.
e. SEBI or other competent authority issuing a debarment order against the client from buying, selling or dealing in securities/commodities, unless the order is vacated.
f. If the client fails to clear the debit balance of his account within T+2+5 working days.

Temporary Suspension or Closing of Account at Client's Request:

The client may, at times, like to suspend his account for some time due to reasons like – illness, holidaying or pilgrimage. Affinity may temporarily suspend the transactions and close the account on receipt of a written request by the client. However, the client will be responsible for all his positions till that time and shall make arrangements for due discharge of his obligations in respect of such transactions.

A suspend account may be made active by another instruction in writing by the client.

The client, subject to his meeting all obligations regarding pending positions, may seek closure of his account by a letter in writing duly signed by him. Such request shall be effective from the time it has been noted in Affinity's computer system and the client shall be liable to meet all his obligations.

The request for suspension, re-activation or closure of account should be made by the client and not by his Power of Attorney Holder (POA).

The Company may also withhold any payouts of client or suspend his trading account due to any surveillance action or judicial/regulatory direction.

De-registering a Client:

Affinity may de-register a client in any of the following events:

a. Death of a client who is a natural person;
b. Liquidation or winding up of a client who is a corporate;
c. Insolvency or bankruptcy of the client;
d. The client being debarred from dealing in securities/commodities by an order of SEBI, other Regulatory Authority or Court;
e. The client is convicted of fraud or other offence in relation to securities/commodities and the said conviction is not stayed by that authority or court or superior thereto.
f. The account being inactive has not been got reactivated within two years of inactivation.

De-registering a client will not absolve him from his obligations for transactions at the time of de-registration.

Policy for Inactive Accounts:

Inactive accounts are more vulnerable to fraud or manipulation and the clients are advised to be careful not to allow their accounts to be inactive. An inactive account is one in which there is no operation during the last one year. Such accounts may be marked as "inactive" in the Back Office without any request by the client. No operation shall be permitted in an inactive account except collection of dividend on securities and debiting of charges, if any.

An inactive account may be activated only on written request of the client (Not of a POA). Before activating, Affinity may like to re-verify the client's particulars as an abundant caution.

If a request for re-activation is not received within four years of its being noted as "inactive", Affinity may deregister it, after informing the client at his last known address by the available means, i.e., telephone, post, e-mail; and return the available balance, if any, to the person(s) entitled to it. In case the client cannot be traced or the persons entitled to the balance cannot be ascertained or they do not come forward, the balance shall be transferred to "suspense account".