

UPSE SECURITIES LIMITED

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BUSINESS RULES FOR TRADING BY SUB-BROKERS (MEMBERS OF UPSE) OF UPSE SECURITIES LTD.(COMPANY) ON BOMBAY STOCK EXCHANGE LIMITED (BSE), NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE), MCX STOCK EXCHANGE LIMITED (MCX-SX) AND ON OTHER STOCK EXCHANGE(S) OF WHICH COMPANY WILL BE HAVING MEMBERSHIP, THROUGH THEIR TRADING SYSTEMS

1. Trading Members of UPSE duly registered by SEBI and maintaining requisite Base Minimum Capital (BMC) with UPSE would be allowed to be registered as Sub-brokers of UPSE Securities Ltd. (hereinafter referred to as the company). Only such Sub-brokers of company would be allowed to operate through it.
2. In the event of cessation of Trading Membership of UPSE for any reason whatsoever, Sub-brokership will cease automatically. However, commitments upto the date of cessation will have to be honoured by the concerned Sub-broker.
3. Company would not make client directly. Only clients of sub-brokers shall be registered as clients. However, direct contractual relationship with the clients of Sub-brokers shall exist. Clients will have to complete KYC requirements and pay charges as applicable from time to time as per company's rules/norms.
4. Sub-brokers would be allowed to trade in compulsory demat securities and all such groups and products as are allowed by the respective Stock Exchange to company from time to time.
5. **Policy for allotment of trading terminal(s) :**
 - (a) Sub-broker(s) shall be allotted Terminal for trading purpose on written request segment wise through LAN, WAN and/or Internet etc. as are available at the company from time to time.
 - (b) Sub-brokers who are interested for additional trading terminal(s) will be allowed to have such number of additional as required by them on written request through one and/or more mode of connectivity as stated above.
 - (c) Trading Terminals can be installed in their cabins at UPSE premises. Terminal(s) can also be installed in other trading member's cabin(s) subject to providing NOC/ consent letter from that cabin holder provided that no other UPSE trading member's terminal be operative in the said cabin.
 - (d) Sub-broker(s) who will require Trading Terminal outside the premises of

Padam Towers/ Exchange (i.e. 14/113 Civil Lines) will have to furnish address proof of requested location and / or NOC of the premises holder where terminal is to be installed.

(e) Sub-broker(s) will have to comply with the condition of having certification from BCSM/NCFM/NISM as required by SEBI/respective Stock Exchange applicable from time to time for operation of such Trading Terminal(s).

(f) Sub-broker(s) / Client(s) may also be allotted view only terminal(s).

(g) Trading terminal may also be allotted to clients for their own trading purpose on their written request segment wise through Internet as are available at the company from time to time subject to fulfillment of regulatory requirements.

6. Minimum Deposit :

A sub-broker is required to deposit minimum of Rs. 1,50,000.00 (with trading limit & Rs. 1,00,000.00 with interest for first segment) per Segment e.g. a Sub-broker wishing to trade in three segments , presently available with the Company, i.e. BSE (Cash), NSE (Cash) and NSE (F&O), will have to deposit Rs. 4,50,000.00, however, the sub-broker will not get interest on Rs.50,000.00 out of the aforesaid total deposit of Rs. 4,50,000.00.

7. Additional Deposits :

Sub-broker may furnish additional deposits to avail additional trading limits segment wise. Such additional deposit may either be with Interest or without interest as per written request by the sub-broker at the time of deposit. Trading limit may immediately be increased subject to availability of trading limit to company and such additional deposit may not be sent to respective stock exchange/clearing member.

The withdrawal of with interest additional deposit can be made by giving written notice of 15 days. The notice period shall be reckoned from the day of reduction in equivalent trading limit. However the company may at its discretion release such additional deposit before the expiry of notice period.

The withdrawal of interest free additional deposit can be made by giving written notice of 1 (one) day which shall be reckoned from the day of reduction in equivalent trading limit.

However the withdrawal of all additional deposit(s) shall be subject to the availability of funds with the company.

If the interest free additional deposit furnished by the sub-broker have been sent to

BSE/NSE or the Clearing Member by the company for enhancement of limit, the amount shall be released only after receipt of the same from there.

The Sub-broker(s) may also deposit approved securities as additional deposit as per the prevailing norms of SEBI/ respective Stock Exchange(s) /Clearing Member subject to applicable hair cut. The said securities may be release on written request of Sub-broker only after their receipt from respective Stock Exchange(s) /Clearing Member subject to reduction in equivalent trading limit.

The credit (i.e. increase in trading limit) of additional deposit (Cash only) during market hours will be given only after confirmation of transfer of said deposit in the bank account of the company. The Sub-broker shall have to intimate about the deposit of the same to the company in writing.

In case release of without interest additional deposit is requested for the same day, it can be released same day, provided early pay-in obligation has been completed by the concerned sub-broker. In case of partial early pay-in proportionate amount of additional capital consumed for such amount of early pay-in may also be released.

In case any Sub-broker fails to complete the pay-in of funds of any settlement on scheduled time the CEO may release the minimum/additional deposit as the case may be, without any interest and without any restriction of the period.

Shortfall in day end margin :

In case total margin required at the end of the day exceeds total deposit in any segment, sub-broker will be required to make up the short fall by next trading day (i.e. T+1). Till making up of short fall in margin trading terminal(s) shall remain suspended. Further for trading limit on such next day (i.e. on T+1) sub-broker will have to furnish additional deposit.

Deposits made by Sub-broker(s) to make up of such short fall shall be released on subsequent trading day without any notice by them after completion of pay-in.

8. Interest :

Interest shall be payable to the sub-brokers yearly subject to TDS after completion of financial year on the basis of average rate of interest earned by the company on all its FDRs/deposit with clearing member, out of deposits of Sub-brokers.

In case of premature withdrawal interest shall be paid at the average rate applicable for the duration the deposit remained with the company less one percent. If interest had been paid to any Sub-broker at a rate of longer duration FDR for previous financial year, and the deposit had been withdrawn by the Sub-broker before the completion of that duration, the excess interest shall be recovered in the financial year when deposit

has been withdrawn.

Normally, minimum and with interest additional deposit shall be for a period of Two years.

Interest in all above cases will be calculated from the 8th day from the date of receipt of funds.

In case a sub-broker wishes to deposit his specified FDR towards minimum/additional deposit, the Company will accept the offer and make FDR of the same. In this case, interest will be payable from the date of FDR and, on premature withdrawal, actual interest received on the same will be payable. Further, if he wishes to make the FDR in the bank of his choice with particular period / rate, the Company will do the same.

9. Inactive Charges :

An annual charge of Rs.3,000/- will be payable by each of the inactive (not a single trade in financial year) sub-brokers to the company.

10. Inactive Clients :

The period for deciding the client as inactive shall be two years from the date of the end of the financial year in which last trade was done by him.

11. Trading limits:

Trading limits will be allowed to the sub-brokers as allowed by the respective Exchanges to the company.

12. Margin:

If extra margin is imposed by any of the Stock Exchange, the Sub-brokers shall be liable to pay the same as required by the respective Stock Exchange.

If considered necessary, company may also impose extra Margin on any or more Sub-brokers either during trading hours or otherwise.

13. The cost of trading on the Equity segments of the Exchanges would be as follows :-

(a) Connectivity Charges :

Connectivity charges (viz. VSAT charges etc.) as levied by respective Stock Exchange and applicable from time to time as per company's policy will have to be born by active sub-brokers for each terminal proportionately. Charges so calculated will be rounded off to the nearest rupee.

Presently policy of company is to recover only VSAT charges.

(b) Transaction charges (payable to Exchanges) :

As charged by the respective Stock Exchanges from time to time.

(c) Brokerage for sub-brokers for BSE and NSE (Cash Segments) :

Scheme - 1

0.009% subject to minimum of one paisa per share. However, a minimum charge of Rs.3/- per Contract Note shall be charged, if brokerage received as above is below Rs.3/-.

Scheme - 2

0.005% subject to minimum of one paisa per share with a minimum of Rs.5,000/- per month. However, a minimum charge of Rs.3/- per Contract Note shall be charged, if brokerage received as above is below Rs.3/-.

Scheme - 3

0.005% subject to minimum of Rs.7,500/- per month. However, a minimum charge of Rs.3/- per Contract Note shall be charged, if brokerage received as above is below Rs.3/-.

(d) Brokerage to be charged from the clients :

As per the arrangement with the sub-broker, however, subject to a minimum brokerage of Rs.10/- per Contract Note from the clients and after retaining the minimum amount of Rs.3/- per contract, the remaining shall be credited to the sub-brokers. The brokerage so charged, shall be subject, however, to the fulfillment of requirements prescribed for charging maximum brokerage from a client.

(e) Service Tax :

12.36% or as applicable from time to time.

(f) Stamp Duty on Contract Note :

Subject to a maximum of Rs.1,000/-, 40 paisa for every Rs.20,000/- or part thereof of the value of the stock or security or as applicable from time to time

(g) Turnover fee payable to SEBI :

Rs.10/- per Crore or as applicable from time to time.

(h) Securities Transaction Tax :

As applicable from time to time.

(i) Any other Statutory Charges/Fee/Tax/Duties etc.

As applicable from time to time.

(j) DP/NSDL and CDSL Charges :

Will be borne by the company. Accordingly, no charges in this regard will be recovered from the sub-brokers.

However, pledge charges on securities furnished against additional deposit, delivery stopped in payout to clients by Sub-brokers, advance deposit of securities against prospective sale to avail trading limit without depositing additional capital etc. will be born by respective Sub-broker/ client.

(k) General Charges Account/Bill/Penalty/legal charges/any other charges :
On actual basis.

14. The maximum limit for single order value would be Rs.8.00 lakhs within the permissible limits of the respective Sub-broker, subject to the restrictions imposed by respective Exchanges, if any, for respective segment. However, CEO, on request of concerned Sub-broker may increase this limit subject to the restrictions imposed by respective Exchanges, if any, for respective segment.

Limit for all scrips of Trade to Trade would be Rs.10 lakhs for each Group. However, the CEO on written request from the concerned sub-broker may increase the said limit.

15. At the end of each trading day, Sub-brokers shall download their daily transactions files for each segment/Exchange from respective Exchanges Server directly on their Trading Terminals.

Daily margin obligations, money pay-in obligations, security pay-in obligations and other relevant documents and files should be downloaded through online back office. Sub-broker must download these files on the same day and fulfill their obligations accordingly within the prescribed time frame.

16. HDFC Bank is Clearing Bank of the company for the purpose of settlement of funds obligations with Stock Exchanges of which company is member.

Every Sub-broker would be required to open a proprietary account with HDFC Bank for the purpose of dealings with the company relating to deposit/release of Minimum and/or Additional Deposit/Margin, payment of applicable charges and/or penalty to company and receipts of brokerage from it etc.

Opening of such is a pre-requisite for commencing operations by a Sub-broker. Moreover, each Sub-broker will have to sign and furnish a requisite bank mandate in favour of company facilitating honour of debit and credit instructions given by company on their behalf to the bank as per prescribed format of bank.

Company will also open one client account with HDFC Bank for each Sub-broker for settlement of their trading obligations and payment to and fro of their clients as well as their proprietary trading.

Every Sub-broker would be required to maintain sufficient balance in both the aforesaid accounts to meet out their various obligations at the scheduled time and date.

Selection of clearing bank will be at the sole discretion of company and Sub-brokers will abide by the decision of the company in this regard.

17. Every Sub-broker and every client shall meet /settle his obligations, Exchange wise ,Segment wise, separately by the scheduled time.
18. The company has Clearing Member Accounts for NSDL with Stock Holding Corporation of India Ltd., Kanpur and for CDSL with U.P. Stock Exchange Limited, Kanpur for settlement of securities pay-in/pay-out obligations.

Selection of Depository Participants will be at the sole discretion of company and Sub-brokers will abide by the decision of the company in this regard.

19. Sub-brokers would be required to adhere to the Settlement Schedule specified by the company for completing the margin and pay-in obligations. The general rule governing this schedule would be that the pay-in of funds and delivery should be completed by T+2 latest by 10.00 a.m. Thereafter, applicable penalty shall be charged.

To avail margin exemption Sub-broker may also make early pay in of funds and securities as per applicable rules and regulations of respective stock exchange. However, exemption in margin will also be allowed to the Sub-broker, if funds and/or securities, as the case may be, has been transferred in company's account subject to availability of trading limit to the company in the respective Stock Exchange.

In case of non fulfillment of settlement and margin obligation within the stipulated time schedule, the Trading Terminal of the concerned Sub-brokers shall be deactivated and shall be reopened after the fulfillment of required obligation. Failure to fulfill the

same, deposits of concerned Sub-broker(s) will be utilized without giving any notice to him and no interest would be paid on the amount so utilized.

Under such circumstances the company at its sole discretion may either impose additional deposit requirement or may reduce his trading/ exposure limit or impose both conditions.

20. In case there are any short deliveries, due to which auction of securities are conducted against company, no Sub-broker would be eligible to participate in the auction for that particular security, as per the current rules of respective Exchanges.

In case of securities pay-in shortage, the defaulting seller would be debited with a valuation debit (which would be at the official closing price on the respective Exchange on the Trading day. This debit would be effected on pay-in day itself of that settlement on respective Exchange. Incremental debit (if any) would be effected on the basis of the auction price/close out price plus applicable auction commission / penalties/ fines etc. on the same day after the auction/ close out is effected on respective Exchange. Alternatively both the aforesaid obligations may be merged and recovered together same day. In case of multiple settlement on any day, the same will be recovered as per respective Exchange schedule.

21. Internal shortage of securities will be closed out. The close out price will be calculated at 10% above the standard rate of the scrip at respective Exchange on the trading day or pay-in day, whichever is higher. The close out price will be passed on to the buyer.

22. Margins from the Sub-brokers (and also from clients in F&O segment) will be levied as per applicable rules of respective Stock Exchange/SEBI from time to time.

23. Margins shall be calculated on line as is required to be paid upfront for trading on Exchanges.

24. If a Sub-broker defaults to complete his settlement, margin or any other obligation as per the scheduled date and time, any one or more or all of following actions may be initiated against him:-

(a) All outstanding positions may be squared off,

(b) Demand could be raised for additional deposit,

(c) May be restrained from further trading,

(d) May be declared a defaulter (this would also result in his being declared a defaulter on UPSE). Further, if such Sub-broker is also a member of other Stock Exchange(s), he would render himself liable for declaration as defaulter on such other Exchange(s) too and

(e) Sub-broker may be allowed to square off his outstanding positions or such other actions and/or restrictions may be initiated against him by company as it deem fit.

(f) Failure of Trading System :

In the event of failure of trading system of company on account of any reason, company or its staff shall not be liable to any losses or cause incurred to the Sub-brokers/clients. In such a situation, it would be obligatory on the part of concerned Sub-broker / client to settle the open position, even if these arise out of breakdown in system, by delivery / payment.

25. A tripartite agreement between UPSE, UPSE Securities Ltd. and Sub-broker will have to be executed by all the three parties before commencement of trading by any Sub-broker.
26. The Sub-broker will be required to procure the computer system as per specifications specified by the respective Stock Exchange or the vendor of front end trading software for trading.
27. The Software for trading on Exchanges will be arranged by company. The Sub-brokers will be required to pay the cost if any, as charged by the company for the same. The Sub-brokers would render themselves liable for such fines, penalties or disciplinary action as may be prescribed from time to time for tampering with this system or misusing this facility or for allowing unauthorized persons to operate this system and also for any consequential loss/damage arising there from due to the same.
28. In case the Sub-Brokers face technical problems with the network/ connectivity or company's hardware or software for operating on Exchanges, they may contact the EDP Department for assistance.

Due to technical problems, if a Sub-broker is unable to work from his computer system, he may square off his position or delete his pending orders or trade from the computer system installed in the office of the company. This would be done without any prejudice or loss or execution commitment on the part of company.

29. Sub-brokers may be suspended from further trading in case of violations of any of the Business Rules or as per the decision of the management of company or UPSE for such periods of time, as may be decided from time to time. If and when a Sub-broker is suspended by company or UPSE, all his pending orders in the system would be deleted. Further, the pay-out of funds and/or delivery of any Sub-broker may be stopped/withheld in case of any violations or due to the decision of company or UPSE management and the Sub-broker would be liable to bear all costs which may be attached to this decision.

30. In case of any dispute or other such matters, company would provide its Sub-brokers and their clients, a forum for dispute resolution through the Infrastructure of company/UPSE and/or also through the available system of respective Exchanges.
31. The books of account, records and operations of the Sub-brokers would be inspected by company or UPSE officials or any other entity to whom this authority is delegated, as per the instructions of company, UPSE, respective Exchanges or SEBI. The Sub-brokers would be required to help them in conducting the inspection and provide them with all relevant data and also access to their records for completing this work as per the requirements of company, UPSE, respective Exchanges or SEBI. Further, the Sub-brokers would be required to furnish such undertakings, indemnities or declarations as company, UPSE, respective Exchanges or SEBI may communicate from time to time.
32. The Sub-brokers may discontinue their trading operations by written notice. Their deposits maintained with company would be released after company determines that there are no further dues which are to be collected or no liabilities which may occur due to the trades done by the Sub-broker through company. Notwithstanding this, the release of their minimum deposits will require one month notice.
33. All communications would be sent to the Sub-brokers through email at their email Id as intimated to company by them. Alternatively such communications may/may also be sent by company at their cabins or such other office as intimated as their communication address, in such mode as opted by company i.e. by way of hand delivery or by ordinary post or registered post, courier or in any electronic form to their trading computers or pasting on the Notice Board etc. This communication may be a download of obligations or circulars or any such other communications which company is required to give to the Sub-brokers. The Sub-brokers are required to visit the company's website : www.upsecindia.com on daily basis to ensure the notices issued to them. The Sub-brokers would be bound by such communication and this would be considered as valid communication.
34. All dealing and operations by Sub-brokers and their clients are subject to Business Rules, Circulars, Notices or such other communications, Guidelines, Rules, Regulations specified by company, UPSE, respective Exchanges or SEBI for the operations of Sub-brokers and their clients. The Sub-brokers/clients are required to adhere to the same In case of any violation he would be liable for such disciplinary action as specified by company, UPSE, respective Exchanges or SEBI.
35. Additional Business Rules for Trading in NSE F & O Segment:

Clearing Member: Company has appointed I L & F S Securities Services Limited(ILFS), New Delhi, as our clearing member in F & O Segment .

ILFS will mediate between our Company and NSE for margins and settlements.

Brokerage:

- (a) Brokerage of Rs. 225/- per Crore(.00225%) of turnover for NSE Future.
- (b) Brokerage of Rs. 5/- per lot for options trading.

Minimum Margin from Sub-broker / Authorised Person and Client: Rs.20,000/- subject to restriction of 50% shares (with applicable hair cut) i.e. it may be Rs.10,000/- in shares and Rs.10,000/- in cash (with interest).

Thereafter, this may be increased in multiples of Rs.10,000/-.

However, Sub-broker will have to furnish initial minimum deposit of Rs. 1,50,000/- in cash for enablement of his trading in F & O segment. The margins mentioned above is additional deposit.

For option trading only (not doing future trading) at NSE, the company will accept minimum margin of Rs. 10,000/- in the ratio of minimum Rs. 5,000/- in cash and remaining Rs. 5,000/- may be in the form of shares with applicable hair-cut to be increased in the multiple of Rs. 10,000/- in the same ratio. To avail this facility, sub-broker/authorized person/client shall have to give written request to the Company and, in case of any violation i.e. doing trading in future, erring sub-broker/authorized person/client will have to face penal action.

Interest on Deposits and Margins: Interest on deposits and margins shall be as per the interest received on Bank FDRs, deposited with NSE through ILFS or as per interest received from ILFS if the deposit is made with them.

Clearing Member Charges: Rs. 20/- per Crore(.00020%) of turnover of NSE Future and options.

Pay-in: Sub-brokers / Authorised Person and Clients shall make pay-in on T + 1 day before 10.00 a.m.

Pay-out: Pay-out shall be made on T + 1 day as is received from clearing member.

Variables of Margin: Margin may be in the form of Cash and Shares(as per approved list of NSE, with applicable hair cut), subject to restriction of maximum 50% Shares.

However, the company would also accept shares for margin upto 100% (as per approved list of NSE, with applicable hair cut) and would deploy its own funds to maintain ratio of minimum 50% cash with NSE/ILFS.

However this facility may be extended only upto the extent of availability of company's deployable funds and it can require any, and/or more, Sub-brokers/clients to deposit such amount in cash with securities as may be deemed fit or required to maintain the 50:50 ratio with NSE/ILFS to continue the trading.

However, due to acceptance of 100% shares, the trading is stopped/disrupted/withheld at any point of time the company or its staff shall not be liable to any losses or cause incurred to the Sub-brokers/clients.

Penalty for Trading in Banned Shares: Sub-broker / Authorised Person and Client shall not deal in banned shares, failing which he will have to pay the penalty levied by NSE.

36. Sub-brokers are allowed to modify client code which were wrongly punched(within the criteria laid down by SEBI, BSE and NSE for modification of client code in case of genuine error or modification within relatives as specified by them) by submitting a written request therein also intimating the reason, within the post closing session or as permitted by SEBI, BSE and NSE from time to time and the penalty charged by BSE and NSE in this respect shall be payable by the respective Sub-broker. On all such requests of Sub-brokers received within the prescribed time, EDP department will modify the client code.

However, Error Account / Code, being not feasible, is not opened as per Error Code Policy of company.

37. Business Rules for MCX-SX, CD Segment will be made, as and when trading is started in it.
38. These Business Rules are subject to amendment made by UPSE, SEBI, respective Exchanges or company from time to time.
39. If such a situation arises which could not be envisaged and is not covered by any of the provisions under these Business Rules then decision of the company management shall be final and binding on all the Sub-brokers/clients.

