



STEWART & MACKERTICH WEALTH MANAGEMENT LTD.

CIN: U51109WB1993PLC060987

Vaibhav (5F), 4, Lee Road, Kolkata – 700 020

Tel: (91 33) 3051 5400 / 4011 5400 Fax: (91 33) 2289 3401

Email ID: investors@smifs.com Website: www.smifs.com

MANDATORY POLICIES

OF

STEWART & MACKERTICH WEALTH MANAGEMENT LIMITED

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Policy Reviewed on April, 2015



Page - 1



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INDEX

Sr. No.	Policy Details	Page No.
1.	General Principles & Proprietary Trading	3 - 3
2.	Refusal Of Orders Of Penny Stocks	4 - 6
3.	Setting Up Client's Exposure Limits	6 - 6
4.	Applicable Brokerage Rates	7 - 8
5.	Imposition Of Penalty / Delayed Payment Charges	8 - 10
6.	Shortages In Obligations Arising Out Of Internal Netting Of Trades	10 - 11
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	12 - 13
8.	Temporarily Suspending Or Closing A Client's Account At The Request Of The Client	14 - 14
9.	De-Registering A Client	14 - 16





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(1) GENERAL PRINCIPLES

These **Mandatory Policies** of Stewart & Mackertich Wealth Management Limited (hereinafter referred to as Stewart & Mackertich) is in accordance to SEBI Circular dated 3rd December 2009. This document outlines various Policies and Procedures framed and followed by Stewart & Mackertich with respect to its dealings with its Clients as a Stock Broker on National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE) and The Calcutta Stock Exchange Limited (CSE) (collectively hereinafter referred as "the Exchanges").

Stewart & Mackertich shall have right at its sole and absolute discretion to amend / change / revise any of the above said "**Mandatory Policies**" at any time in future depending upon Regulatory changes, its risk management framework, other market conditions etc. and the same shall be binding on the Client forthwith. The said Policies and Procedures and any revision/updation in the same from time to time is / will be available in the official web site of Stewart & Mackertich.

Any action taken by Stewart & Mackertich in accordance with the "**Mandatory Policies**" mentioned herein above can not be challenged by the Client and Stewart & Mackertich shall not be liable to the Client for any loss or damage (actual/notional), which may be caused to the Client as a result.

Stewart & Mackertich has taken utmost care in framing the Mandatory Policies as detailed above, ensuring that the same neither dilute the responsibility of Stewart & Mackertich nor it shall be in conflict with any of the clauses laid in the Rules, Bye Laws, Regulations, Notices, Guidelines and Circulars issued by SEBI and the Stock Exchanges from time to time. However without prejudice, if at a later date, if any of the clauses framed and detailed above by Stewart & Mackertich, in the opinion of the SEBI and/or Stock Exchange, reveal that it is in conflict of the Rules, Bye Laws, Regulations, Notices, Guidelines and Circulars issued by SEBI and the Stock Exchanges from time to time, then such clause(s) framed by Stewart & Mackertich shall be treated as "**NULL & VOID**" and would stand withdrawn, forthwith.

A copy of all the documents executed by Client shall be given to the Client, free of charge within seven days from the date of execution of documents by the Client. Stewart & Mackertich is entitled and shall take acknowledgement of the Client for the receipt of the same. No term of the agreement other than those prescribed by SEBI, shall be changed without the consent of the Client. Such change needs to be preceded by a notice of 15 days by Stewart & Mackertich.

Stewart & Mackertich does **NOT** undertake "**Proprietary Trading**" and if it does so, it shall inform the client through Circular / E-mail / Newspaper Advertisement etc.





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(2) REFUSAL OF ORDERS OF PENNY STOCKS

Penny Stocks and/or Illiquid Stocks / Contracts / Options are risky investments due to thin liquidity, greater volatility factor as well as they are infrequently traded on the stock exchanges. In view of the risks involved in dealing with Penny Stocks and/or Illiquid Stocks / Contracts / Options, Stewart & Mackertich would generally advise its Clients to desist from trading in them.

A Security may be treated as Penny Stocks and/or Illiquid Stocks / 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 Stewart & Mackertich, which may be considered by Stewart & Mackertich in its sole discretion as volatile or have concentration risk at Client level or at the security level or any other reason.

SEBI has directed the Exchanges to draw up a list of illiquid securities based on criteria jointly agreed between BSE, NSE and SEBI and make it available to the trading members on a monthly basis and such list will be reviewed on a monthly basis.

As trading members have been advised by the Regulatory Authorities to exercise additional due diligence while trading in Penny Stocks and/or Illiquid Stocks / Contracts / Options, Stewart & Mackertich would have exclusive rights and prerogative to refuse and/or to accept such orders with regard to Penny Stocks and/or Illiquid Stocks / Contracts / Options, notwithstanding the fact that the Client has adequate credit balance or margin available in his/her/its account and/or the Client had previously purchased or sold such securities through Stewart & Mackertich.

Stewart & Mackertich may permit restrictive acceptance of orders in such scrips in controlled environments like asking the Client to place orders at a centralized desk at Head Office instead of allowing trading in such scrips at Branch Level. Stewart & Mackertich shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the Client. Stewart & Mackertich may cancel orders in such scrips received from Clients before execution or after partial execution without assigning any reasons thereof. Stewart & Mackertich may take appropriate declarations from the Clients before accepting such orders. Stewart &





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Mackertich would be free to charge upfront payment for the purchase transaction in penny Stocks as well as upfront delivery in case of sale transactions of such Penny Stocks and/or Illiquid Stocks / Contracts / Options.

Refusal To Accept Buy And / Or Sell Orders At Abnormal Prices:

Regulatory Authorities and Stock Exchanges have come across instances, where a Client / set of Clients were observed to be executing matched trades in illiquid securities and/or future contracts and/or options contracts reversing transactions with significant variation in prices between first and reversing trades. Such trades were executed at prices, which apparently had no relation to the price of underlying security at that point of time. Precisely the modus operandi taken in such trades wherein one Client / set of Clients trading through a particular trading member would incur a loss and the counter party Client trading through another trading member would earn a profit. In most of the cases, one or both legs of transactions were away from the current market price. Some of the trading members reported that the Clients who suffered losses failed to meet their obligations.

Regulatory Authorities and Stock Exchanges have come across instances, where a Client / set of Clients were observed to be executing large transactions in the form of block deals executed in certain scrips in the stock exchanges, which prima-facie, appear to have been negotiated in advance between the parties and then put through the Stock Exchange mechanism in a synchronized manner. Media reports appearing on the subject have also alleged that some of these transactions might have been executed by certain market participants with an ulterior motive to distort the fair price discovery in such scrips. Such market practices do not appear to be in conformity with the extant guidelines / regulations of SEBI / Stock Exchanges.

Such types of transactions, mentioned herein above are under the regulatory purview and are hence, being scrutinized by the stock exchanges and SEBI, concurrently. SEBI / Stock Exchanges may take punitive action for any possible violation of the provisions of the extant guidelines / regulations of SEBI / stock exchanges against the market participants who indulge in such type of transactions.

As trading members have been advised by the Regulatory Authorities to exercise additional due diligence while trading in these securities, orders placed in such securities would be executed upon the sole discretion of Stewart & Mackertich.

Stewart & Mackertich would have exclusive rights to refuse and/or to accept such orders with regard to Penny Stocks and/or Illiquid Stocks / Contracts / Options and/or order and / or orders which, prima facie appear to be non-genuine, notwithstanding the fact that the Client has adequate credit balance or margin available in his/her/its account and/or the Client had previously purchased or sold such securities/contracts through Stewart & Mackertich.





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In view of the above, the Client(s) would not be allowed to place both buy and sell orders at abnormal prices and / or price differences in the Cash Market Segment, Future Market Segment and in case of option contracts, that might not have any relevance to the movement in prices in underlying securities at that point of time.

Stewart & Mackertich may permit restrictive acceptance of orders in such Penny Stocks and/or Illiquid Stocks / Contracts / Options in controlled environments like asking the Client to place orders at a centralized desk at Head Office instead of allowing trading in such Penny Stocks and/or Illiquid Stocks / Contracts / Options at Branch Level. Stewart & Mackertich shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the Client. Stewart & Mackertich may cancel orders in such Penny Stocks and/or Illiquid Stocks / Contracts / Options received from Clients before execution or after partial execution without assigning any reasons thereof. Stewart & Mackertich may take appropriate declarations from the Clients before accepting such orders.

(3) SETTING UP CLIENT EXPOSURE LIMIT

Risk Management Department of Stewart & Mackertich shall determine the exposure limit of the client based on Net-worth information, client financial capacity, prevailing market conditions and margin deposited by client in form of funds/securities with Stewart & Mackertich. These limits may be exchange-wise, segment-wise and scrip-wise. The limits so determined based on the above parameters shall also include the payment history of the client.

Stewart & Mackertich shall have right at its sole and absolute discretion to change / revise limits or impose new limits urgently on the basis on the basis of stock broker risk perception and other factors considered relevant by Stewart & Mackertich but not limited to limits on account of Exchange/ SEBI directions/limits. Stewart & Mackertich shall not be responsible for the client's inability to route any order through the Company's trading system on account of any such variation, reduction or imposition of limits.

Stewart & Mackertich may at any time at its sole discretion and without prior notice, prohibit or restrict the Clients ability to place orders or trade in securities/contract through Stewart & Mackertich, or it may subject any order placed by the Client to a review before its entry into the trading systems and may refuse to execute/allow execution of orders due to but not limited to the reason of lack of margin or contracts which are not in the permitted list of Stewart & Mackertich/Exchange(s) /any other Regulatory Body or the order being outside the limits set by Stewart & Mackertich/Exchange and any other reasons which Stewart & Mackertich may deem appropriate in the circumstances. The Client shall not held Stewart & Mackertich responsible for any losses incurred by the in connection therewith.





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(4) APPLICABLE BROKERAGE RATES

The brokerage rates fixed by Stewart & Mackertich are function of the quality of cost of services provided to the Client and the volume and revenue expected from an account. Brokerage shall be applied as per the rates agreed upon with the Client in the KYC at the time of registration of the Client and subsequently through a written agreement between the Client and Stewart & Mackertich. The rate of Brokerage shall not exceed the maximum

brokerage permissible under Exchange/SEBI Laws. Where the sale/purchase value of a share is Rs. 10/- or less in Capital Market Segment, maximum brokerage of 25 paise per share may be collected.

Stewart & Mackertich shall review the Brokerage rates from time to time and may be increased/decreased with prospective effect at a written notice of 15 days sent to the e-mail address or postal address of the Client registered with Stewart & Mackertich.

Stewart & Mackertich shall charge brokerage for option contracts on the premium amount at which the option contract was bought or sold and not on the strike price of the option contract and brokerage on options contracts shall not exceed 2.5% of the premium amount or Rs 100/- whichever is higher.

Stewart & Mackertich may charge a minimum service charge including brokerage of Rs. 25/- per contract note issued to Client for transactions in NSE Capital Market Segment, NSE Derivative Market Segment and BSE Capital Market Segment, separately. However the Transaction Charges levied by the respective Stock Exchanges, Statutory Levies of Government and Regulatory Authorities would be over and above the minimum sum of Rs. 25/-, charged to the contract note.

No brokerage would be charged on Auction Trades, however applicable charges, viz. penalty charges, auction difference, etc., levied by the respective Stock Exchanges as may be debited to Stewart & Mackertich, would be debited to account of the Client.

In case of any violation of the position limits with regard to the transactions in derivative market segment, penalties are levied as stipulated under Bye Laws, Rules and Regulations of the Stock Exchanges and Clearing Corporations, and such penalties and charges, debited to Stewart & Mackertich, would be debited to account of the Client.

All Statutory Charges presently applicable and / or would be applicable in future, under various legislation of Central Government, State Government, Regulatory Authorities, Stock Exchanges and / or any Public Authorities,



