



# Goldmine Stocks Pvt. Ltd.

## Policies & Procedures (Commodity)

This document contains policies and procedures defined/ devised and followed by Goldmine Stocks Pvt Ltd. ('GOLDMINE' or 'Broker') which it applies or adopts while providing services as a stock broker on Multi Commodity Exchange of India Ltd. ('MCX'), The purpose of the document is to communicate these policies and procedures to clients of Goldmine.

The policies and procedures stated herein below are subject to change from time to time at the sole discretion of Goldmine, depending on market conditions, requirements prescribed by Exchanges, Regulators or any other Government Authority, its risk management framework etc.

Goldmine shall endeavor to keep its clients updated about such changes through regular and timely display of updated documents on its website and through direct/indirect communications to clients to the extent possible. The client may, if he or she so wishes, obtain an updated copy of this document by specifically requesting in writing.

### **REFUSAL OF ORDERS**

In view of the risks associated in dealing with illiquid futures contracts/ options, Goldmine would generally advise its clients to desist from trading in them. Further, SEBI, Exchanges or Goldmine may issue circulars or guidelines necessitating exercising additional due diligence by the clients, for dealing in such commodities. Goldmine may refuse to accept orders for execution of trade by a registered client under the following circumstances:

- a. If Goldmine forms an opinion that the order is not placed with a genuine trading or investment objective.
- b. If Goldmine forms an opinion that there is exceptional volatility in the market in general or in market for that particular derivative contract and execution of trade under such situation may expose it to very high risk.
- c. If Goldmine forms an opinion that the price of the derivative contract does not reflect its fundamentals for market factors and the same is the result of market manipulation orchestrated or perpetrated by unknown entities.
- d. While accepting an order for illiquid derivative contracts for which either the Regulator or the Exchange have raised caution flag in any manner whatsoever, Goldmine shall make such inquiries as it may deem fit and shall undertake such review of the fundamentals and technical factors of the underlying commodity and/or trading pattern of the underlying and/or its derivatives as it may find necessary, and may accept or reject such order based on its assessment. Apart from Exchanges and Regulator identifying illiquid derivative contracts, Goldmine may have its own criteria in deciding whether a derivative contract is illiquid or not.
- e. Goldmine does not allow clients to trade in illiquid derivative contracts. The measure of liquidity changes from time to time and from underlying to underlying.
- f. Trading in commodities of the types enumerated above will be allowed to the client at the sole and absolute discretion of Goldmine. Such commodities may be blocked in a normal trading system and any dealings in such commodities will be allowed only on the approval of

risk management department as it may deem fit. Goldmine may restrict the quantity of order of such commodities if the client is allowed to buy/sell.

- g. Trading in commodities market take place on screen based online computerized trading environment which is dependent on efficient functioning of network equipment, computers and software. In the event of malfunction or problem in any of these ingredients, Goldmine may not be able to place client's order in such circumstances. Such inability on the part of Goldmine may result in loss of opportunity or notional loss to the client as prices may have moved during the time taken in resolving the technical issues which may have resulted in non-execution of order. Such risk is inherent systemic risk. Goldmine shall not be responsible for such opportunity loss or notional loss and shall not reimburse the client for such amount.
- h. Goldmine has to maintain margin deposits with the Exchange and the same is monitored by Exchange on real time basis. Margin rates are based on parameters defined by Exchanges and SEBI. These parameters may change during the course of the day on account of volatility and price movements. In the event of change of values of some of the parameters, applicable margin rates may change one or more times during the day. Exchanges disable trading terminal of those brokers who might have fully utilized to the extent of 100% of their deposits. This situation may arise on account of change in the margin rates or sudden surge in clients' orders resulting in deposits being exhausted. Under such circumstances, Goldmine may not be able to accept fresh orders from client on account of its inability to execute the same. This may result in loss of opportunity or notional loss to the client as prices may have moved during the time taken in resolving the operational issues which may have resulted in non-execution of order. Such risk is operational risk inherent to trading in commodities market. Goldmine shall not be responsible for such opportunity loss or notional loss and shall not reimburse the client for such amount.

### **CLIENT'S EXPOSURE LIMIT**

The Commodity derivatives markets are usually very volatile and different clients have different risk profiles. Volatility amongst different commodities and different derivatives contracts are different. Business Rules, Bye laws and Regulations of the Exchanges require Brokers including Goldmine to obtain upfront margin from clients.

All these factors taken together create a challenging environment where Goldmine, apart from setting allowable trading limits for different clients Differently, has too often modify or change such trading limits several times during the day if situation so demands.

The trading limit setting policies enumerated below are to be taken as basis for understanding policies implemented by Goldmine and the same may not be rigidly followed and may be changed from time to time on account of factors stated above. The averments contained in these statements are not promises made by Goldmine to its clients and they do not confer any rights to clients to demand that their trading limits at all times will be set according to these policies.

- a. Exposure limits to the client will be provided based on the available margin in the client's broking account maintained with Goldmine.
- b. The exposure limits will be a certain multiple of the available margin. Such multiplier will be as decided by Goldmine from time to time and may vary from client to client, on a case-to-case basis Goldmine, as its sole and absolute discretion, may allow higher exposure limits to the client.
- c. Available margin for the purpose of granting exposure is calculated as a sum of free credit

balance of the client in Goldmine's books, margin in the form of funds, securities, bank fixed deposit, bank guarantee, commodity balances either in demat or warehouse Receipt form etc. of the client available with Goldmine.

- d. While granting the exposure limit, margin in the form of securities and commodity balances will be valued as per the latest available closing price on NSE or BSE or as available on Commodity Exchanges, respectively after applying appropriate haircut as may be decided by Goldmine at its sole discretion.
- e. Goldmine may from time to time depending on market conditions, profile and history of the client, type and nature of scrip or commodities, etc., at its sole discretion charge/change the rate of haircut applicable on the securities or commodities given as margin, multiplier for granting exposure and take such steps as Goldmine may deem appropriate.
- f. The Client will have to abide by the exposure limit set by Goldmine.
- g. In case of client being granted exposure limit as a multiple of available collateral value, the same is granted on client undertaking that
  - i. The client will square off open positions, margin on which is in excess of available collateral value etc. at least 30 minutes prior to end of trading hours for those derivative contracts in which client has open position, to the extent such as to reduce his open position to such level on which margin applicable is equal or less to the value of collateral etc.
  - ii. Upon the MTM loss on open position reaching 70% of the available collateral value or at discretion of Goldmine depending on client's risk profile, client open position shall be squared off.

#### **APPLICABLE BROKERAGE RATE**

Goldmine charges brokerage to its clients at rates not exceeding the maximum chargeable as prescribed by exchanges/SEBI, which is at present 1% in case of non-delivery transactions and 2%(plus expenses) in case of transactions resulting in to delivery. The actual brokerage rates chargeable to a client will be as per the terms agreed with the client at the time of client registration. It is hereby further clarified that brokerage on commodity options contracts shall not exceed 1% of the premium amount or Rs. 100/- (per lot) whichever is higher.

Goldmine may charge brokerage on commodity option contracts expiring worthless and option contracts exercised/assigned. In case of low value commodities, Goldmine may prescribe minimum brokerage per commodity which may exceed 1% of the value of the transaction.

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

The brokerage rate may be varied in future as agreed between the client and Goldmine either in writing or orally from time to time. In case of oral agreement, if the brokerage is charged at such revised rate in contract note subsequent to revision and the client does not raise any dispute on such brokerage within the time period stipulated on the contract note then the same will be considered as consented by the client.

#### **IMPOSITIONS OF PENALTY/LATE PAYMENT CHARGES**

Imposition of Penalty:

The Exchange/ Clearing Corporation / SEBI levies penalties on the broker for irregularities observed by them during the course of business. Goldmine shall recover such imposed penalties/ levies, if any, by the Exchange/Regulatory, from such clients on account of whose dealings such penalties/levies have been imposed. Few of the examples of violations for which penalties may be levied are as under:

- a. Auction of commodities pursuant to short deliveries by the client.
- b. Non adherence to client level exposure limits
- c. Short margin reporting in any segment as may be stipulated by the respective Exchange.
- d. Any other reason 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 client and amounts would be adjusted in client ledger account.

Further, if client does not make payment against its settlement obligation or margin obligation with the stipulated pay in time, the late/delay payment charges at the rate of 18% per annum shall be charged on weekly basis. Such late payment charge should not result in frequent late payment by the client and mustnot be termed by the client as funding provided by the broker.

#### **LIQUIDATION OF CLIENT'S OPEN POSITION**

Goldmine requests the prospective clients to refer to RIGHTS & OBLIGATIONS and RISK DISCLOSURE DOCUMENT wherein Broker's rights to sell commodities purchased by the client and to close out open positions of the client are adequately defined. For the sake of clarity, the circumstances and procedures relating to such close out or sale of commodities are explained below.

- a. The existing margining systems and Exchange Regulations require that Goldmine collect upfront margin from its customers; and Exchanges require margin deposits in the form and manner prescribed which is monitored online by the Exchanges on post trade basis. Goldmine is also required to report daily the details of margin required to be collected from each client having open position and margin collected from each of such client. Shortages in collection would amount to non-compliance with Exchange Regulations and may result in penalties and even suspension of trading. Credit balances and collateral available in client's ledger account is first appropriated against debit for MTM settlement and balance available together with collaterals if any deposited by the client, valued as per defined norms should be sufficient to meet applicable margin requirement at the commencement of trading on the next day. Any shortages will have to be made good by clients before commencement of trading.
- b. In the event of client not meeting margin obligations as applicable, Goldmine may square off its outstanding positions and sell off collaterals, to the extent required, without prior written or oral notice or intimation to the client, to ensure that the open positions of the client is backed by sufficient margin. In case of MTM loss of client on open position reaching 70% of the available collateral value or at discretion of Goldmine depending the client's risk profile, and RMS policy of Goldmine, client's open position shall be squared off.
- c. Goldmine may not exercise its rights of squaring off or liquidating collaterals in all cases at all times. This may happen due to client making promise of payment or deposit of collaterals in due course, which Goldmine may rely upon. Non exercise of its rights by Goldmine should not

be construed as allowing client the right to keep open positions without sufficient margin.

### **RESTRICTIONS/PROHIBITION TO TAKE FURTHER POSITION OR CLOSING EXISTING POSITION**

Under any of circumstances, such as client's failure to meet Pay-In or margin obligations or clearance of outstanding/debit balance with broker before permissible time limit or beyond such period as may be allowed by broker, the client may not be permitted to take any fresh or further position until the full clearance of earlier dues, obligation, outstanding etc. Further, it would be the duty of the client to monitor his/her/its position with the Broker from time to time. In case of any delay or failure in meeting any obligation, margin requirement etc. from client side, broker might close the existing position or open position WITHOUT ANY FURTHER INTIMATION to the client, Such Circumstance include (but not limited to) :

- i. Failure to meet Pay-In obligation on Pay-In Day.
- ii. Delay in meeting the Pay-In or margin requirement.
- iii. Delay or failure in clearance or outstanding or dues to the broker,
- iv. Returning or frequent returning of cheques of the client,
- v. Unnecessary/Unwarranted dispute from client without any substantial cause/reason, settled without Involvement of Exchange and/or SEBI.
- vi. As per prevalent RMS policy of the Broker.
- vii. Any direction from SEBI/Exchange or such other authorities.
- viii. Under such other circumstances as the Broker might think just and proper on case to case basis.

Goldmine may take actions under this policy with or without giving any notice or intimation to the client. Goldmine will not be responsible for any opportunity loss or actual loss to the client in the event of any action taken by it pursuant to this policy.

### **SUSPENDING/CLOSING/DEREGISTERING THE TRADING ACCOUNT**

Without prejudice to Goldmine's rights and remedies available under the Agreement, Goldmine may forthwith, at its sole and absolute discretion, de-register/suspend the client with/without prior notice/intimation in the following circumstances:

- a. If the client makes request for deregistration in writing.
- b. If Goldmine is satisfied and believes that the client is not interested in executing transactions through Goldmine.
- c. If the client is not maintaining his account as per the requirements and Goldmine wishes to sever the Relationship with the client after giving such due notice as stipulated in Member Client Agreement.
- d. Where the client indulges in any irregular trading activities like synchronized trading, price manipulation, trading in illiquid commodities / options/contracts, self-trades, trading in commodities at prices significantly away from market prices, etc.
- e. Any enquiry/investigation initiated by the Exchanges/regulators against the client;
- f. Any regulatory action taken/initiated against the client by the Exchange/regulators including but not limited to debarring the client from accessing the commodity market;
- g. Where name of the client apparently resembles with the name appearing in the list of debarred entities published by SEBI/ Exchanges (where no information other than name is available);
- h. Name of the client appears in database/websites of CIBIL, Watch Out Investors, World Check, etc.;
- i. The client having suspicious back ground or link with suspicious organization;

- j. Where the client is non-traceable, has pending disputes with Goldmine, possibility of a default by the client;
- k. Any other circumstances leading to a breach of confidence in the client for reasons like return of undelivered couriers citing reason of 'No such person/ Addressee left/ Refusal to accept mails, etc., continuous cheque bouncing, or not furnishing the Financial and other details as may be called for by Goldmine from time to time, etc.
- l. Upon receipt of written information about the death of the client;
- m. Such other circumstances which in the sole opinion of Goldmine warrants to de-register the client.

In all such cases, Goldmine 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/suspending the client.

### **POLICY FOR INACTIVE / DORMANT CLIENTS**

In case of any account(s), the term dormant / inactive account refers to such account wherein no transaction/trade(s) have been carried out since last 12 continuous months. The funds / securities of such clients must be returned and the account must be having zero balance. The said clients are not permitted to carry out any fresh transactions/trades in such account.

The process of identifying the dormant/inactive account based on the above mentioned criteria shall be run daily / weekly / monthly basis post the end of the day activities depending on the criteria set by the management from time to time. Account identified as dormant/inactive shall be flagged as "Inactive/Dormant" in the trading software, back-office system and respective exchange's UCC data base and also such account restricted for further trading/transaction till the clients is not re-active their account as per process mentioned below.

### **Process for reactivation of Inactive/Dormant account**

Client can get the account reactivated after provided fresh documents, sufficient due diligence and also provided the updated information through the any process mentioned below. In a part of due diligence we have carried out IPV at the time of client is coming for reactivation.

IPV should be undertaken only when the client seeks reactivation after a period of 12 months (1 year) of being flagged as inactive/dormant i.e. after 2 years from their last trading date.

The Client can follow any of the below processes for reactivation of account:

- a. Client can submit the duly signed account re-activation form along with necessary documents at any of branch/main office.
- b. By placing request of re-activation of account through our online account re-activation system/facility.

### **GENERAL:**

Goldmine 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 client forthwith. Any action taken by Goldmine in accordance with the policies and procedures mentioned herein above cannot be challenged by the client, and Goldmine shall not be liable to the client for any loss or damage (actual/notional) which may be caused to the client as a result.

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