

**MSE FINANCIAL**  
**SERVICES LTD.**

**GUIDELINES TO TRADE**

**GUIDELINES TO TRADE IN MSE FSL (BSE / MCX-SX)**

**Version 1.0**

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## **1. INTRODUCTION**

***MSE Financial Services Ltd. (MSE FSL), the wholly-owned subsidiary of Madras Stock Exchange Ltd., has acquired Membership in Bombay Stock Exchange Ltd. in Sept.. 2000 and also a Member of MCX –SX Ltd.***

***MSE FSL has embarked on expansion of its terminals outside Chennai, especially in the State of Tamilnadu, with a view to promote the brand-image, cater to the needs of investors situated in small Towns, thereby improve the volume and create new business opportunities for the sub-brokers.***

***To bring more transparency and efficiency in our functioning, MSE FSL has prepared this manual basically to outline the rules and regulations and important guidelines for trading in BSE's equity segment.***

**2. CRITERIA FOR ADMISSION AS SUB-BROKER :**

<b>Sl. No.</b>	<b>Description</b>
<b>2.1</b>	Only Members of Madras Stock Exchange Ltd. are allowed to become Sub-brokers of MSE FSL
<b>2.2</b>	Only those Members of Madras Stock Exchange Ltd. who do not have any dues to the Exchange and SEBI will be allowed to become sub-brokers of MSE FSL

**3. SUB-BROKER REGISTRATION AND RELATED COMPLIANCES**

Sl. No.	Description
3.1	Sub-broker Registration forms duly filled-in and completed in all respects, separately for each Exchange should be submitted for obtaining SEBI Registration
3.2	Separate Registration application forms should be submitted by Individuals / Partnership / Corporates
3.3	Sub-brokers will be allowed to commence Trading in BSE, only after receiving SEBI Registration certificate for the respective Exchanges
3.4	On receipt of SEBI Registration Certificate, the sub-broker should enter into a Tripartite Agreement between MSE, MSEFSL and the respective sub-broker
3.5	Atleast one person should be qualified in the BCSM / NCFM Examination in each module, viz., Cash and Derivatives, for enabling trading terminal of the respective sub-broker
3.6	All the rules detailed in this document are applicable subject to the Rules, Bye-laws and Regulations of BSE / MCX / SEBI or any other rules framed thereunder, from time to time. Regulations framed by the company as part of guidelines should be adhered to by concerned sub brokers and other intermediaries
3.7	Before enablement of Trading terminal, sub-brokers should procure ODIN front-end licence from M/s.Financial Technologies (I) Ltd., at a cost of Rs.14,634/- per Exchange, per segment, excluding AMC.
3.8.	AMC of Rs.4500/- per licence per segment per Exchange to be paid upfront after the expiry of 12 months from the date of installation.
3.9	Sub-brokers will be allowed to trade only in dematerialized securities. No physical shares will be allowed to be sold in the markets including originating documents of direct clients

**4. DEPOSITS BY SUB-BROKERS :**

<b>Sl. No.</b>	<b>Description</b>
<b>4.1</b>	On receipt of SEBI registration certificate, the Sub-brokers are required to pay a minimum cash deposit of Rs.2 lakhs to MSE FSL, for BSE cash segment and Rs. 1 lakh for trading in currency segment of MCX-SX..
<b>4.2</b>	Sub-brokers who intend to deposit additional capital / collateral on behalf of their clients, for trading and margin limits, may do so by depositing cash, FDRs with lien marked in favour of the respective Exchange, eligible securities as defined by BSE / MCX-SX with a haircut of 30%.
<b>4.3</b>	In respect of all margins payable for transactions in Currency Derivatives segment, the actuals charged by MCX-SX will be made applicable to clients and will be collected accordingly. The approximate percentage of margin works out to 40% of the contract value.

**5. CLIENT REGISTRATION , ACTIVATION & DE-REGISTERING**

Sl. No.	Description
5.1	Client registration forms (CRF) alongwith Tripartite Agreements (separately for each Exchange) will be distributed by MSEFSL to sub-brokers (SBs), which should be duly completed in all respects including relevant annexures and proof
5.2	CRFs will be distributed by MSE FSL to its sub-brokers at a cost of Rs.100/- per form per Exchange. Clients intended to give Specific POA for pay-in at a cost of Rs.110/- separately towards stamping charges.
5.3	Client codes will be allotted by Sub-Brokers of MSE FSL, subject to its availability in the MSEFSL database.
5.4	SBs to enter their client information in the backoffice software, including brokerage slabs, before forwarding the CRF to MSE FSL
5.5	Any change in the client details entered in the back-office software will be made only on written request by the SBs / their Clients, i.e. through fax / e-mail in the specified format.
5.6	Clients of SBs will be activated in the trading system, only on receipt of CRF along with all necessary enclosures by MSE FSL, including the required deposits.
5.7	Sub Brokers are responsible for conducting IN-PERSON VERIFICATION of the clients enrolled by them and necessary authorization to this effect is to be made on the KYC form.
5.8	<b><u>DE-REGISTERING OF CLIENT</u></b> The clients shall be entitled to terminate the agreement with immediate effect in any of the following circumstances. <ol style="list-style-type: none"><li>a. on the death/disability of the client</li><li>b. client suffers any adverse material change in his/her financial position or defaults in any other agreement with broker</li><li>c. client is in breach of any terms,condition of the agreement</li><li>d. client has made any misrepresentation of fact.</li><li>e. Client voluntarily wants to close the account,subject to payment of all dues to the Company.</li></ol>
5.9	<b><u>TEMPORARILY SUSPENDING OR CLOSING CLIENT ACCOUNT: AT CLIENT REQUEST:</u></b> On the request of the client in writing, the client account will be suspended temporarily and same is re-activated on the written request from the client. During the suspension period, the settlement activities of the client will take place and the trading in that account is prohibited. On the request of the client in writing,the client account can be closed provided the dues of the client is settled.If the client wants to re-open the account,the KYC requirements has to be completed again.

**6. RE-ACTIVATION OF DORMANT/INACTIVE CLIENT ACCOUNT**

<b>Sl. No.</b>	<b>Description</b>
<b>6.1</b>	Clients who have not traded for a period of 6 months ,the respective account will be treated as DORMANT/INACTIVE .To ascertain, the identification of such client will be done at the beginning of each month where the clients who do not trade even for a single day will be considered as DORMANT/INACTIVE and the available shares/funds as per the ledger balance will be transferred to the respective client within 7 days from the date of identifying the client account as inactive.
<b>6.2</b>	For re-activation, the client has to make a written /email request stating the reasons for not trading during the period. Based on the reply , the said client account will be activated.

**7. TRADING LIMITS :**

Sl. No.	Description
7.1	<p><b><u>Setting of exposure limits &amp; Conditions under which client may not be allowed to take further positions or broker may close the existing position of client:</u></b></p> <p>The trading limit per client of sub-broker will be –8- times of the credit balance available in the account of the respective client and additional deposit, if any given by the client / sub-broker. Clients may be allowed to take positions (margin consumed) upto the amount of credit available to his account or to the extent of the deposits made by the sub-brokers.</p>
7.2	<p>In case of increase in trading limits sought during market hours, either the SBs or their clients shall transfer funds to the Account of MSEFSL on-line and request for such increase, in writing, either through fax or e-mail.</p>
7.3	<p>Additional capital deposited by the sub-broker / client will be refunded only on request from the respective sub-broker / client, on T+4 day from the date of receipt of deposit by MSE FSL</p>
7.4	<p>The trading limits for the clients may vary/reduced or imposed new limits on the basis of the risk perception of the Company. MSEFSL shall not be responsible for such variation/reduction in limits/inability to route any order through the system on account of any such variation / reduction/imposition of limits.</p>
7.5	<p>The losses incurred if any by the clients due to the setting of limits by the Company due to risk perception, shall be borne exclusively by the client alone.</p>

**8. CONTRACT NOTE :**

<b>Sl. No.</b>	<b>Description</b>
<b>8.1</b>	Contract notes would be printed and signed by MSEFSL and sent to the clients of sub-brokers at the end of T-day
<b>8.2</b>	In case of written request by the client, electronic contract note will be issued by MSEFSL.
<b>8.3</b>	<b><u>Applicable brokerage rate:</u></b> Brokerage will be charged within the limits prescribed by the Exchange/SEBI.

**9. SETTLEMENT :**

**9.1. FUNDS PAY-IN**

Sl. No.	Description
9.1.1	In case of settlement dues by clients to MSEFSL, the SBs shall ensure that the instruments are deposited into designated account of MSEFSL in any of the designated Banks, before T+1 day and the relevant details such as client code, name, settlement No., Cheque / DD / Pay order No, Date, Name of the Bank and Branch, amount, type of Clearing (Normal / High-value), etc. are entered in the back-office system of MSEFSL, for accounting the dues of the respective client . In case of collection of DD from the Client,a letter from the client to be obtained and submit to MSEFSL.
9.1.2	Any settlement debit by the client should be honoured before the commencement of trading on T+2 day, failing which the client will not be allowed to trade on T+2 day. However, margin deposits can also be deposited by Sub-brokers, on behalf of their clients.
9.1.3	For the sake of convenience of debiting / crediting of amount, Clients of SBs are required to open an Account with the designated Bank of MSE FSL, viz., ICICI Bank Clearing Banker for BSE & MCX-SX.
9.1.4	Early pay-in of funds is also accepted by MSEFSL to have margin exemption for the bulk trades.

**9.2. FUNDS PAY-OUT**

<b>Sl. No.</b>	<b>Description</b>
<b>9.2.1</b>	Pay-out of funds will be released only on T+2 day evening
<b>9.2.2</b>	By default all accounts will be treated as running accounts. Pay-out of funds would be made only on request from the Sub-broker / Client.

**9.3. SECURITIES PAY-IN**

Sl. No.	Description
9.3.1	All securities for settlement pay-in should be transferred by the clients directly from their Beneficiary account to the Pool A/c. of MSEFSL on T+1 day – either CDSL or NSDL
9.3.2	In case of early pay-in of securities for the sale done by the clients, such securities should be transferred to the early pay-in account of BOI Shareholding Ltd. (A/c. No. 1100001000012458) for BSE trades as and when the sale of securities is executed and informed to MSEFSL in writing, through fax, in order to avail margin exemption.
9.3.3	In case of sale of securities by a client, exceeding Rs.10 lakhs in value, such clients should compulsorily mark the securities sold, for early pay-in and transfer the shares to the early pay-in accounts of the respective Exchanges, as specified in 9.3.2 on T-day itself.
9.3.4	Clients of Sub brokers are advised to open their Beneficiary account with the CDSL DP of Madras Stock Exchange Ltd. for easy and quick debit / credit of securities to their account.
9.3.5	MSEFSL is not responsible for crossing of deliveries for the Pay-in, for those clients bought in Sett.No.1 and sold in Sett.No 2.
9.3.6	For the convenience of clients who have their Demat A/c. with CDSL DP of Madras Stock Exchange Ltd. specific Power of Attorney facility is available, by which MSEFSL will take delivery of shares sold by the client.

**9.4. SECURITIES PAY-OUT**

<b>Sl. No.</b>	<b>Description</b>
<b>9.4.1</b>	All securities for pay-out will be transferred by MSEFSL directly to the clients' B/O account on T+2 day provided the amount due to MSEFSL is paid in full.
<b>9.4.2</b>	In respect of shares bought in Settlement No.1 and sold in Settlement No.2, such securities will be withheld by MSEFSL in its House A/c. and will be adjusted for pay-in on the scheduled pay-in date. The necessary DP charges in respect of the abovesaid transactions will be debited to the Client's Account.
<b>9.4.3</b>	MSEFSL is not responsible for crossing of deliveries for the pay-out, for those clients who bought in Sett.No.1 and sold in Sett.NO.2.

## **10. RISK MANAGEMENT**

### **10.1 DELAY / DEFAULT IN FUNDS PAY-IN**

<b>Sl. No.</b>	<b>Description</b>
<b>10.1.1</b>	Non-payment of margin dues / settlement dues by the client will attract deactivation of the client .
<b>10.1.2</b>	On T+5 day, the purchase positions of the client who defaulted in payment of settlement / margin dues will be squared-off by MSEFSL without any intimation to the client and the resultant debit / credit will be passed on to the client.
<b>10.1.3</b>	<b><u>Right to sell client position without notice on account of non-payment of dues:</u></b> MSEFSL will liquidate/close-out all or any one of the clients position without giving notice to the client for non-payment of margins/any other amount including pay-in obligation and outstanding dues etc and adjust the proceeds of such liquidation/close-out if any,against the client liabilities/obligations.
<b>10.1.4</b>	<b><u>Imposition of Penalty/delayed payment charges:</u></b> When a client has purchase position on T-day and subsequently sold the securities on T+1 day, if the pay-in obligation is defaulted by the client, a minimum penalty of Rs.100/- per day of default or @ 24% p.a. on the amount of default (whichever is higher) will be charged to the client and his account will be debited accordingly.
<b>10.1.5</b>	In case of non-payment of settlement dues, the securities will be withheld and transferred to the House A/c. of MSEFSL. Subsequently when the client's A/c. has credit balance, the securities will be re-transferred to his Demat A/c. Necessary demat charges for effecting transfer of securities will be debited to the Client's account.
<b>10.1.6</b>	In case of dis-honouring of cheques [irrespective of the reason], issued by clients of sub-brokers for settlement pay-in, a minimum penalty of Rs.250 or 1% of the value of cheque, whichever is higher, will be levied and the same will be debited to the client's account.
<b>10.1.7</b>	In case of dishonouring of cheques issued by clients exceed 2 times in a month, a penalty of Rs.5000/- will be levied for every such instance, in addition to the charges levied in 10.1.4. Such clients will be deactivated forthwith from trading after informing the concerned sub-broker

**10.2 DEFAULT IN SECURITIES PAY-IN**

<b>Sl. No.</b>	<b>Description</b>
<b>10.2.1</b>	The clients should deliver the securities for settlement pay-in only from the disclosed DP IDs. Any deviation i.e. securities received from undisclosed DP IDs will be treated as short delivery and such securities will be compulsorily auctioned by MSEFSL, as per the procedure laid down in 9.3. Such securities will be re-transferred to the client's DP account at his cost on a written request from the client.
<b>10.2.2</b>	Utmost care will be taken by MSEFSL to deliver the securities for settlement pay-in received on T+2 day before the scheduled pay-in time. However, MSE FSL is not responsible for such securities, whenever there is any technical snag and as per the regulation of the respective depositories.
<b>10.2.3</b>	In case of incorrect settlement number mentioned by the client, MSEFSL is not responsible for pay-in of such securities. Those securities transferred to the Pool A/c. of MSEFSL will be re-transferred to the client and necessary demat charges will be debited to the Client's account.

**10.3 AUCTION PROCEDURE**

Sl. No.	Description
10.3.1	Wherever there is default in pay-in of securities (except T-by-T), such securities will be auctioned as per the auction conducted by the respective Exchanges
10.3.2	In case of default in pay-in of securities which are in T-by-T group, such securities will be squared-up as per the procedure followed by the respective Exchanges and necessary amount will be debited to the Client's account. (for BSE - closing price on T+2 day + 10% or contract rate whichever is higher)
10.3.3	<b><u>Shortages in obligations arising out of internal netting of trades:</u></b> In case of client-to-client short( <b>internal short</b> )of securities in a settlement, such securities will be squared-up by MSE FSL, as per the procedure laid down by the respective Exchanges (for BSE - closing price on T+2 day + 10% or contract rate whichever is higher)
10.3.4	The sub-brokers should transfer the securities which are accepted in the Auction offer session to the DP account of MSEFSL, one day ahead of the scheduled auction pay-in day of the respective Exchanges.

**11. TRADING IN PENNY STOCKS**

<b>Sl. No.</b>	<b>Description</b>
<b>11.1</b>	The PENNY STOCKS will be identified monthly as per the list provided by BSE through their notices. The said scrips will be uploaded to the front-end trading (CTCL) system and appropriate limits will be fixed by the RMS. The trading in the penny stocks will be closely monitored by the Surveillance executives of the Company. The limits may be fixed either quantity based or value based depending upon the market condition and RMS policy of the Company. The Company reserves right to refuse to provide the limit in penny stocks and losses if any on account of such refusal shall be borne by the client only.



### **13. CONNECTIVITY**

- ❖ In order to provide cost-effective solution for the sub-brokers and proven connectivity, we propose to migrate from ISDN connectivity into broadband connectivity during the month of April 2006. In addition to the trading facility, the remote users, viz., sub-brokers / clients can also access our back-office server, through broadband provided by any Internet Service Provider (ISP), dial-up (PSTN), WLL, mobile phone, through Internet Access Card for Lap Tops, thereby providing a true mobility and trade anywhere.
- ❖ We are hosting a website ([www.msefsl.com](http://www.msefsl.com)) for the benefit of sub-brokers and their clients. Through this facility, the clients of sub-brokers can directly access our back-office, to view various modules such as, daily trades, account balance, holding statement, etc.

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Version 1.0

### 14 CONTACT DETAILS OF MSE FSL

SL.NO	Name & Designation	Department	Contact Details	Extn Nos.
1	L.VISHNUVARDHAN Sr.OFFICER	RISKMANAGEMENT&SURVEILLANCE	PH:25214439, 2522 8951	237
2	S.THIAGARAJAN OFFICER	FINANCE &ACCOUNTS	PH:25214439, 2522 8951	237
3	SOPNA EXECUTIVE	ACCOUNTS – FUNDS PAYIN & OUT	PH:25214439, 2522 8951	237
4	K.PUGALENDHI OFFICER	TRADING & HELP DESK	PH:25214441, 2522 8951	231
5	S.MUTHULAKSHMI OFFICER	PAY-IN & PAY-OUTSECURITIES	PH:25265553, 2522 8951	232
6	R.MUTHUPANDIAN EXECUTIVE	CLIENT REGISTRATION	PH:25265553, 2522 8951	271
7	K.JAGADEESH	SYSTEMS& NETWORKING	PH:25265553, 2522 8951	271

**MR. R.RAVICHANDRAN**  
**CHIEF EXECUTIVE OFFICER/**  
**DESIGNATED DIRECTOR/**  
**COMPLIANCE OFFICER**  
**MSE FINANCIAL SERVICES LTD.**  
**PH:044- 2526 5559**  
**MOBILE : 93828 42568**  
**Email: mse\_fsl@yahoo.com**  
**Website: [www.msefsl.com](http://www.msefsl.com)**