

# DO'S & DON'TS WHILE DEALING WITH BROKERS & SUB-BROKERS

## DO'S

- Transact only through SEBI-recognized stock exchanges. Deal only through SEBI-registered brokers/sub-brokers. You may check their SEBI registration certificate number from the list available on the Stock exchanges [www.nseindia.com](http://www.nseindia.com)/[www.bseindia.com](http://www.bseindia.com)/[www.mcx-sx.com](http://www.mcx-sx.com) and SEBI website [www.sebi.gov.in](http://www.sebi.gov.in).
- State clearly who will be placing orders on your behalf and give clear and unambiguous instructions to your broker/ sub-broker. Never give an open authority to broker/ sub-broker for placing trades on your behalf.
- Insist on client registration form to be signed by the broker before commencing operations.
- Enter into an agreement with your broker/ sub-broker setting out terms and conditions clearly.
- Ensure that you read the agreement and risk disclosure document carefully before signing.
- Make sure that you sign on all the pages of the agreement and ensure that the broker or an authorized representative, signs on all the pages of the agreement. Also the agreement should be signed by the witnesses by giving their name and address.
- Insist on a contract note for each transaction and verify details in the contract note, immediately on receipt. If in doubt, crosscheck details of your trade available with the details on the exchange's website.
- Insist on a bill for every settlement.
- Ensure that the broker's name, trade time and number, transaction price and brokerage are shown distinctly on the contract note.
- Insist on periodical statement of accounts.
- Issue cheques/drafts only in the trade name of the broker. Don't make any payment in cash to the stock broker / sub-broker.
- Ensure receipt of payment/ deliveries within 48 hours of payout.
- In case of disputes, file written complaint to intermediary/ stock exchange/SEBI within a reasonable time.
- In case of disputes with the sub-broker, inform the main broker immediately.
- Familiarize yourself with the rules, regulations and circulars issued by stock exchanges /SEBI.
- Keep track of your portfolio in your demat account on a regular basis.
- Ensure that you have money before you buy. Ensure that you are holding securities before you sell.
- While dealing in derivatives segment:
  - Be aware of the risk associated with your positions in the market/margin calls.
  - Collect/pay mark to market margins on your futures position on a daily basis from/to TM.

## DON'T'S

- Don't deal with unregistered brokers / sub-brokers or other unregistered intermediaries.
- Don't execute any document with any intermediary without fully understanding its terms and conditions.
- Don't leave the custody of your Demat Transaction Slip book in the hands of any broker/sub-broker.
- Don't forgo obtaining all documents of transactions even if the broker/sub-broker is well known to you.
- Don't do any off market transaction or payment of funds to sub broker or authorized persons. All securities and fund transaction should be done only in the Broker's account.

# DO'S & DON'TS – PRIMARY MARKET

## DO'S

- Read the Prospectus/ Abridged Prospectus carefully, with special attention to:
  - Risk factors
  - Background of promoters
  - Company history
  - Outstanding litigations and defaults
  - Financial statements Object of the issue Basis of Issue price
  - Instructions for making an application
- In case of any doubts/problems, contact the compliance officer named in the offer document.
- In case you do not receive, within due period, the credit to demat account or refund of application money, lodge a complaint with the compliance officer of the issuer company and with the post-issue lead manager.

## DON'TS

- Don't be influenced by any implicit/explicit promise made by the issuer or anyone else.
- Don't invest only based on the prevailing bull run of the market index or of scrips of other companies in the same industry or scrips of the issuer company/group companies.
- Don't expect the price of the shares of the issuer company to necessarily go up upon listing, and forever.

# DO'S & DON'TS – SECONDARY MARKET

(In Addition to Do's & Don'ts While Dealing with Brokers & Sub-broker)

## DO'S

- Before investing, please check about the credentials of the company, its management, fundamentals and recent announcements made by them and other disclosures made under various regulations. The sources of information are the websites of the exchanges and companies, databases of data vendors, business newspapers and magazines etc.
- Adopt trading/investment strategies commensurate with your risk-bearing capacity as all investments carry some risk, the degree of which varies according to the investment strategy adopted.
- Assess the risk-return profile of the investment as well as the liquidity and safety aspects before making your investment decision.
- Ensure that you read all the mandatory documents viz. Rights and Obligations, Risk Disclosure Document, Policy and Procedure document of intermediaries. Ensure that you fill the KYC form completely and strike off the blank fields in the KYC form.
- Give clear and unambiguous instructions to your broker/sub-broker/DP.
- Pay the required margins in the prescribed time.
- Participate and vote in general meeting personally or through a proxy.
- Deliver the shares/depository slip in case of sale and pay the money in case of purchase within the prescribed time.
- Scrutinize both the transactions and the holding statements that you receive from your DP.
- Handle Delivery Instruction Slips (DIS) Book issued by the DP carefully. Insist that the DIS numbers are pre-printed and your account number (Client ID) is pre-stamped.
- In case you are not transacting frequently, make use of the freezing facility provided for in your demat account.
- Keep copies of all investment documents. Ask all relevant questions and clear your doubts before transacting.
- Please register your mobile number and email id with the stock broker, to receive trade confirmation alerts/details of the transactions through SMS or email, by the end of the trading day, from the stock exchanges and Depositories.

## DON'T'S

- Don't forget to take account of the potential risks that are involved in any investment.
- Don't fall prey to promises of unrealistic returns or guaranteed returns.
- Don't invest on the basis of hearsays, rumours and tips.
- Don't be influenced into buying into fundamentally unsound companies (penny stocks) based on sudden spurts in trading volumes or prices or favourable articles/stories in the media.
- Don't follow the herd and don't play on momentum.
- Don't blindly follow investment advice given on TV channels/websites/SMS.
- Don't invest under peer pressure or blindly imitate investment decisions of others who may have profited from their investment decisions.
- Don't get misled by companies showing approvals / registrations from Government agencies as the approvals could be for certain other purposes.
- Don't get carried away with advertisements about the financial performance of companies.
- Don't get misled by guarantees of repayment of your investments (and returns) through post-dated cheques.
- Don't give signed blank DIS to your DP or to your broker.