# FAQ's Online Trading Equity

## 1. PLEASE SHARE SOME BASIC INFORMATION ON EQUITY INVESTING

Investing in equity involves purchasing shares of a company listed on a stock exchange. You can acquire these shares in two ways - either through the Primary Market, i.e., when a company makes an offer to issue its equity for the first time (this is called Initial Public Offering (IPO)) or through the secondary market, i.e. via a stock exchange. When you trade in equity through a stock exchange, you have to make use of the services of a brokerage firm, which acts as your agent whenever you buy or sell.
Equity is considered a high risk-high return investment avenue. This is because there is scope for considerable appreciation or loss of the capital that you invest, depending on various factors such as the performance of the company that you have invested in, general market conditions, the state of the economy, etc. However, it forms an integral part of any well-balanced portfolio, since it is at one end of the risk-return spectrum.

---

## 2. HOW SHOULD I DECIDE WHETHER EQUITY INVESTING IS RIGHT FOR ME?

Equity is a must for any well-balanced portfolio. So, irrespective of whether you are a high net worth investor or a small retail investor and irrespective of whether you have a large or timid appetite for risk, you must hold some portion of your assets in equity. This is because it is the only instrument that has the ability to truly deliver a high return, when held over a long period of time.
However, the amount of equity that you hold in your portfolio is a very subjective decision and will depend upon various factors. These include your investment objectives, time horizon and risk appetite. But as a general guideline, there's a rule of thumb that states that to decide upon the proportion of your assets that should go into equities, reduce your age from 100 and that's the proportion of your money which should be put in equities. The remaining can be invested in fixed income securities.

---

## 3. HOW SHOULD I STUDY STOCKS BEFORE I MAKE MY SELECTION?

Every investor must do some homework before investing money in equities…

- ❖ While recommendations and tips received from your broker, a friend, etc. may be the starting point of your selection, let it not be the only reason that makes you purchase a particular stock, even if these tips have come from 'market experts'. Short list the shares that you want to buy on the basis of your investment objective, risk profile and the stock's fundamentals.
- ❖ If you feel that the price of a stock is high, don"t purchase it. Buy stocks that you believe still have scope for appreciation.
- ❖ Don"t try to time your purchases. That could turn you into a speculator instead of an investor.
- ❖ Lastly, once you have purchased shares, if the business prospects of the company change to its detriment, get rid of the stock. Don"t hesitate to liquidate your portfolio before your target time horizon if circumstances lead you to believe that it's necessary.

---

## 4. HOW DO I KNOW WHETHER I AM PAYING THE RIGHT PRICE FOR THE STOCK?

There are various factors that determine the value of a stock. Understanding these will help you to pay a price that reflects the true value of a stock.
**Demand and Supply:** In the short term, the basic economic theory of demand and supply determines a stock's worth. So, when the demand for a stock exceeds its supply (that is, there are more buyers than sellers), its price tends to rise. And, when supply overtakes demand (that is, sellers exceed buyers), the stock loses value. However, these are short-term market trends, which tend to get evened out over a period of time. In the medium to long-term, a stock is driven by the company's fundamental strength i.e. business potential, past performance, competence and credibility of its promoters and management, etc.
**Growth potential:** Investors are willing to pay a premium for stocks of companies that have the potential to increase their revenues and net profits. The greater this growth potential, the higher the premium given to the stock. If a company proves that it is capable of sustaining growth, the market will continue to give it high valuations. And, that's likely to be the major driver for stock valuations.
Fundamentals: A company's growth outlook is linked to its business prospects and how well its management is capitalising on the existing opportunities. The quality of a company's management is crucial. So, pay attention to the management practices of a company and its level of corporate governance.

---

## 5. WHEN SHOULD I BUY TO MINIMISE MY COSTS AND SELL TO MAXIMISE THE PROFITS?

Buy low and sell high is the ultimate guide to successful stock investing. It is also the reverse of what many investors do, although they don't intend to. They tend to buy high and sell low because they use price, and in particular, the price movement, as their only signal to buy or sell.
Investors are tempted to buy stocks that have shot up and are basking in the media spotlight just to get a part

of the action. They jump at a stock that is already trading at a premium… that's how they buy high. Ironically, if a stock has had a good run up it may be time to sell, not buy (sell high).
On the flip side, when a stock price is falling, most investors may want to sell in a panic, although the company has not lost any intrinsic value and still remains a sound investment…that's how they sell low. In fact, when a stock's price has fallen, it's a great time to buy (buy low), if your research on the company suggests that it is a good long term buy.
Experienced traders can make money jumping in and out of a stock that's caught the public's attention, but it's not a game for the inexperienced and it can definitely not be called 'investing', in the true sense of the word. There are risks involved and tax consequences that apply to such trading, along with other issues, which means that most investors should leave this tricky activity to short-term traders.

---

### 6. WHAT ARE THE RISKS INVOLVED IN EQUITY INVESTING?

There are various risks that companies are exposed to and when you invest in equity, your returns are affected by these risks. These are business risks (i.e. the risks associated with the prosperity of a business and the demand for its products), financial risks (the skill with which a company's finances are managed to ensure that it has an optimum level of debt, equity, reserves, etc.), industry risk (changes in technology, regulations, fashions, etc., affect the performance of an industry), management risks (the level of corporate governance, management skills and vision), political, economic and exchange rate risks (these factors affect a company but are outside its control). There are other risks, such as market risks (the risk that the market will collapse, or that you have invested at the peak), which determine your returns on your equity investment.

---

### 7. HOW DO I GO ABOUT INVESTING IN EQUITY?

Before you start investing in equity, you need to open the following accounts:
- A broking account with a stock broker
- A demat account with a depository participant
- A bank account for cash payments and receipts (you can use one of your existing bank accounts for this purpose)

You then need to decide whether you want to invest by making purchases/taking delivery of shares or by undertaking margin trading (in this case you pay only a portion of the cost for purchases and your broker funds the balance and you don't take delivery of the shares. You simply book your profit or loss).

---

### 8. HOW IS INCOME FROM EQUITY INVESTING TAXED?

The dividends that you receive on shares are not taxable in your hands. You are, however, required to pay short term capital gains tax on any short-term capital gains that you make from transacting in shares. These are gains that arise from selling equity shares that have been purchased and sold within a period of less than 1 year. The rate of tax payable on such gains is 11.22 per cent (10 per cent tax + 2 per cent education cess + 10 per cent surcharge, if applicable). There is no tax on long-term capital gains.
Further, while transacting, you are required to pay Service Tax at the rate of 12.24 per cent on the brokerage charges that you pay. In addition, you have to pay Securities Transaction Tax (STT) on certain types of sale and purchase transactions of shares. The STT rate for delivery-based transactions is 0.125 per cent of the transaction value for both buyers and sellers. For non-delivery based transactions, STT of 0.025 per cent of the transaction value is payable.

---

### 9. WHAT IS THE GRIEVANCE REDRESSAL FACILITY AVAILABLE FOR EQUITY INVESTING?

If you have grievances against a listed company/ intermediary registered with SEBI, you should first approach the concerned company/ intermediary against whom you have a grievance. Then, if you are not satisfied with their response you can approach SEBI, who is the regulatory authority for such entities. SEBI takes up grievances related to issue and transfer of securities, non-payment of dividend, etc. with listed companies. In addition, this market regulator also takes up grievances against various intermediaries that are registered with it. Visit http://www.sebi.gov.in/ for more information.

---

### 10. HOW DOES A BROKER RECEIVE AN ORDER FOR TRADE?

- Through a NCFM certified authorized dealing desk
- Through Internet Online Trading platform
- Through a NCFM certified authorized Call and Trade Desk
- Through After market Hours facility available on Website (this is after markets are closed)

---

### 11. HOW ORDERS TRAVEL TO NSE AND BSE EXCHANGE?

All Orders entered by customers are received in Exchange certified and audited Software's without any modification in orders. These orders are passed through Risk Management System at Brokers end for checking the availability of margin in customer's ledger and then they are pushed to Exchange platform for execution with same logic defined by exchange i.e. It has rate and time stamp along with client code uploaded to exchange.

### 12. ARE THERE ANY COUNTER PARTY POSITIONS CREATED BY BROKER?

There are NO counter party positions created by Broker.

### 13. DOES RELIANCE SECURITIES HAVE ANY PROPRIETARY BOOK RUNNING AT ITS DESK?

There is NO such Proprietary desk running at Reliance Securities broking.

### 14. HOW IS MARK TO MARKET DEBITS AND CREDITS MAINTAINED AT BROKER'S LEVEL DURING TRADING HOURS?

During trading hours all clients' Mark to Market calculations are maintained as per exchange regulated calculation rules in the certified software. In case of FNO positions of a client, mark to market margin is maintained at exchange level for all broking clients.

### 15. HOW MARK TO MARKET DEBITS AND CREDITS MAINTAINED AT BROKERS LEVEL AFTER TRADING HOURS?

After trading hours, exchange debits/credits the mark to market profits / loss to brokers based on exchange closing price for open positions. Same amount is posted on to client's ledger.

### 16. ARE ALL ORDERS GOING TO EXCHANGE THAT ARE ENTERED BY REGISTERED CLIENTS?

Yes, all orders that are entered by client are going to exchange. There is one single order book maintained by Exchange for all brokers and all clients

### 17. HOW CUSTOMER CAN VERIFY HIS TRADES WITH EXCHANGE PLATFORMS?

All trades are time stamped at the time of entry to the exchange system and are given a unique code. Same timestamp and unique code is given on the contract note by the broker. Based on unique code, if client wants to verify the trade on exchange, he can enter the unique number on Internet facility given by exchange and can verify the respective trade details.

### 18. HOW CONTRACT NOTES ARE DELIVERED TO CLIENTS?

As per regulations, customer is given a choice to opt for physical contract notes OR electronic contract notes (ECN). If customer chooses electronic contract note, digitally signed contract notes are delivered to clients registered email ID. If a customer opts for physical contract notes, he is given physical contract note. But if a customer has signed for Internet trading, he is compulsorily delivered electronic contract notes.

# FAQ's Online Trading Derivatives

### WHAT ARE DERIVATIVES?

The term "Derivative" indicates that it has no independent value, i.e. its value is entirely "derived" from the value of the underlying asset. The underlying asset can be securities, commodities, bullion, currency, livestock or anything else. In other words, Derivative means a forward, future, option or any other hybrid contract of pre determined fixed duration, linked for the purpose of contract fulfillment to the value of a specified real or financial asset or to an index of securities.

With Securities Laws (Second Amendment) Act,1999, Derivatives has been included in the definition of Securities. The term Derivative has been defined in Securities Contracts (Regulations) Act, as:-
Derivative includes -

- a security derived from a debt instrument, share, loan, whether secured or unsecured, risk instrument or contract for differences or any other form of security;

- a contract which derives its value from the prices, or index of prices, of underlying securities;

---

## WHAT IS A FUTURES CONTRACT?

Futures Contract means a legally binding agreement to buy or sell the underlying security on a future date. Future contracts are the organized/standardized contracts in terms of quantity, quality (in case of commodities), delivery time and place for settlement on any date in future. The contract expires on a pre-specified date which is called the expiry date of the contract. On expiry, futures can be settled by delivery of the underlying asset or cash. Cash settlement enables the settlement of obligations arising out of the future/option contract in cash.

---

## WHAT IS AN OPTION CONTRACT?

Options Contract is a type of Derivatives Contract which gives the buyer/holder of the contract the right (but not the obligation) to buy/sell the underlying asset at a predetermined price within or at end of a specified period. The buyer / holder of the option purchases the right from the seller/writer for a consideration which is called the premium. The seller/writer of an option is obligated to settle the option as per the terms of the contract when the buyer/holder exercises his right. The underlying asset could include securities, an index of prices of securities etc.

Under Securities Contracts (Regulations) Act,1956 options on securities has been defined as "option in securities" means a contract for the purchase or sale of a right to buy or sell, or a right to buy and sell, securities in future, and includes a teji, a mandi, a teji mandi, a galli, a put, a call or a put and call in securities;

An Option to buy is called Call option and option to sell is called Put option. Further, if an option that is exercisable on or before the expiry date is called American option and one that is exercisable only on expiry date, is called European option. The price at which the option is to be exercised is called Strike price or Exercise price.

Therefore, in the case of American options the buyer has the right to exercise the option at anytime on or before the expiry date. This request for exercise is submitted to the Exchange, which randomly assigns the exercise request to the sellers of the options, who are obligated to settle the terms of the contract within a specified time frame.

As in the case of futures contracts, option contracts can be also be settled by delivery of the underlying asset or cash. However, unlike futures cash settlement in option contract entails paying/receiving the difference between the strike price/exercise price and the price of the underlying asset either at the time of expiry of the contract or at the time of exercise / assignment of the option contract.

---

## WHAT ARE INDEX FUTURES AND INDEX OPTION CONTRACTS?

Futures contract based on an index i.e. the underlying asset is the index, are known as Index Futures Contracts. For example, futures contract on NIFTY Index and BSE-30 Index. These contracts derive their value from the value of the underlying index.

Similarly, the options contracts, which are based on some index, are known as Index options contract. However, unlike Index Futures, the buyer of Index Option Contracts has only the right but not the obligation to buy / sell the underlying index on expiry. Index Option Contracts are generally European Style options i.e. they can be exercised / assigned only on the expiry date.

An index, in turn derives its value from the prices of securities that constitute the index and is created to represent the sentiments of the market as a whole or of a particular sector of the economy. Indices that represent the whole market are broad based indices and those that represent a particular sector are sectoral indices.
In the beginning futures and options were permitted only on S&P Nifty and BSE Sensex. Subsequently, sectoral indices were also permitted for derivatives trading subject to fulfilling the eligibility criteria. Derivative contracts may be permitted on an index if 80% of the index constituents are individually eligible for derivatives trading. However, no single ineligible stock in the index shall have a weightage of more than 5% in the index. The index is required to fulfill the eligibility criteria even after derivatives trading on the index has begun. If the index does not fulfill the criteria for 3 consecutive months, then derivative contracts on such index would be discontinued.

By its very nature, index cannot be delivered on maturity of the Index futures or Index option contracts therefore, these contracts are essentially cash settled on Expiry.

## WHAT IS THE STRUCTURE OF DERIVATIVE MARKETS IN INDIA?

Derivative trading in India takes can place either on a separate and independent Derivative Exchange or on a separate segment of an existing Stock Exchange. Derivative Exchange/Segment function as a Self-Regulatory Organisation (SRO) and SEBI acts as the oversight regulator. The clearing & settlement of all trades on the Derivative Exchange/Segment would have to be through a Clearing Corporation/House, which is independent in governance and membership from the Derivative Exchange/Segment

## WHAT IS THE REGULATORY FRAMEWORK OF DERIVATIVES MARKETS IN INDIA?

With the amendment in the definition of ''securities'' under SC(R)A (to include derivative contracts in the definition of securities), derivatives trading takes place under the provisions of the Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992.

Dr. L.C Gupta Committee constituted by SEBI had laid down the regulatory framework for derivative trading in India. SEBI has also framed suggestive bye-law for Derivative Exchanges/Segments and their Clearing Corporation/House which lay''s down the provisions for trading and settlement of derivative contracts. The Rules, Bye-laws & Regulations of the Derivative Segment of the Exchanges and their Clearing Corporation/House have to be framed in line with the suggestive Bye-laws. SEBI has also laid the eligibility conditions for Derivative Exchange/Segment and its Clearing Corporation/House. The eligibility conditions have been framed to ensure that Derivative Exchange/Segment & Clearing Corporation/House provide a transparent trading environment, safety & integrity and provide facilities for redressal of investor grievances. Some of the important eligibility conditions are-

o Derivative trading to take place through an on-line screen based Trading System.
o The Derivatives Exchange/Segment shall have on-line surveillance capability to monitor positions, prices, and volumes on a real time basis so as to deter market manipulation.
o The Derivatives Exchange/ Segment should have arrangements for dissemination of information about trades, quantities and quotes on a real time basis through atleast two information vending networks, which are easily accessible to investors across the country.
o The Derivatives Exchange/Segment should have arbitration and investor grievances redressal mechanism operative from all the four areas / regions of the country.
o The Derivatives Exchange/Segment should have satisfactory system of monitoring investor complaints and preventing irregularities in trading.
o The Derivative Segment of the Exchange would have a separate Investor Protection Fund.
o The Clearing Corporation/House shall perform full novation, i.e., the Clearing Corporation/House shall interpose itself between both legs of every trade, becoming the legal counterparty to both or alternatively should provide an unconditional guarantee for settlement of all trades.
o The Clearing Corporation/House shall have the capacity to monitor the overall position of Members across both derivatives market and the underlying securities market for those Members who are participating in both.
o The level of initial margin on Index Futures Contracts shall be related to the risk of loss on the position. The concept of value-at-risk shall be used in calculating required level of initial margins. The initial margins should be large enough to cover the one-day loss that can be encountered on the position on 99% of the days.
o The Clearing Corporation/House shall establish facilities for electronic funds transfer (EFT) for swift movement of margin payments.
o In the event of a Member defaulting in meeting its liabilities, the Clearing Corporation/House shall transfer client positions and assets to another solvent Member or close-out all open positions.
o The Clearing Corporation/House should have capabilities to segregate initial margins deposited by Clearing Members for trades on their own account and on account of his client. The Clearing Corporation/House shall hold the clients' margin money in trust for the client purposes only and should not allow its diversion for any other purpose.
o The Clearing Corporation/House shall have a separate Trade Guarantee Fund for the trades executed on Derivative Exchange / Segment.

Presently, SEBI has permitted Derivative Trading on the Derivative Segment of BSE and the F&O Segment of NSE.

## WHAT ARE THE VARIOUS MEMBERSHIP CATEGORIES IN THE DERIVATIVES MARKET?

The various types of membership in the derivatives market are as follows:

o Trading Member (TM) – A TM is a member of the derivatives exchange and can trade on his own behalf and on behalf of his clients.
o Clearing Member (CM) –These members are permitted to settle their own trades as well as the trades of the other non-clearing members known as Trading Members who have agreed to settle the trades through them.

o Self-clearing Member (SCM) – A SCM are those clearing members who can clear and settle their own trades only.

---

## WHAT ARE THE REQUIREMENTS TO BE A MEMBER OF THE DERIVATIVES EXCHANGE/ CLEARING CORPORATION?

o Balance Sheet Networth Requirements: SEBI has prescribed a networth requirement of Rs. 3 crores for clearing members. The clearing members are required to furnish an auditor"s certificate for the networth every 6 months to the exchange. The networth requirement is Rs. 1 crore for a self-clearing member. SEBI has not specified any networth requirement for a trading member.
o Liquid Networth Requirements: Every clearing member (both clearing members and self-clearing members) has to maintain atleast Rs. 50 lakhs as Liquid Networth with the exchange / clearing corporation.
o Certification requirements: The Members are required to pass the certification programme approved by SEBI. Further, every trading member is required to appoint atleast two approved users who have passed the certification programme. Only the approved users are permitted to operate the derivatives trading terminal.

---

## WHAT ARE REQUIREMENTS FOR A MEMBER WITH REGARD TO THE CONDUCT OF HIS BUSINESS?

The derivatives member is required to adhere to the code of conduct specified under the SEBI Broker Sub-Broker regulations. The following conditions stipulations have been laid by SEBI on the regulation of sales practices:

o Sales Personnel: The derivatives exchange recognizes the persons recommended by the Trading Member and only such persons are authorized to act as sales personnel of the TM. These persons who represent the TM are known as Authorised Persons.
o Know-your-client: The member is required to get the Know-your-client form filled by every one of client.
o Risk disclosure document: The derivatives member must educate his client on the risks of derivatives by providing a copy of the Risk disclosure document to the client.
o Member-client agreement: The Member is also required to enter into the Member-client agreement with all his clients.

---

## WHAT DERIVATIVE CONTRACTS ARE PERMITTED BY SEBI?

Derivative products have been introduced in a phased manner starting with Index Futures Contracts in June 2000. Index Options and Stock Options were introduced in June 2001 and July 2001 followed by Stock Futures in November 2001. Sectoral indices were permitted for derivatives trading in December 2002. Interest Rate Futures on a notional bond and T-bill priced off ZCYC have been introduced in June 2003 and exchange traded interest rate futures on a notional bond priced off a basket of Government Securities were permitted for trading in January 2004.

---

## WHAT IS THE ELIGIBILITY CRITERION FOR STOCKS ON WHICH DERIVATIVES TRADING MAY BE PERMITTED?

A stock on which stock option and single stock future contracts are proposed to be introduced is required to fulfill the following broad eligibility criteria:-
o The stock shall be chosen from amongst the top 500 stock in terms of average daily market capitalisation and average daily traded value in the previous six month on a rolling basis.
o The stock’s median quarter-sigma order size over the last six months shall be not less than Rs.1 Lakh. A stock’s quarter-sigma order size is the mean order size (in value terms) required to cause a change in the stock price equal to one-quarter of a standard deviation.
o The market wide position limit in the stock shall not be less than Rs.50 crores.
A stock can be included for derivatives trading as soon as it becomes eligible. However, if the stock does not fulfill the eligibility criteria for 3 consecutive months after being admitted to derivatives trading, then derivative contracts on such a stock would be discontinued.

---

## WHAT IS MINIMUM CONTRACT SIZE?

The Standing Committee on Finance, a Parliamentary Committee, at the time of recommending amendment to Securities Contract (Regulation) Act, 1956 had recommended that the minimum contract size of derivative contracts traded in the Indian Markets should be pegged not below Rs. 2 Lakhs. Based on this recommendation SEBI has specified that the value of a derivative contract should not be less than Rs. 2 Lakh at the time of introducing the contract in the market. In February 2004, the Exchanges were advised to re-align the contracts sizes of existing derivative contracts to Rs. 2 Lakhs. Subsequently, the Exchanges were authorized to align the contracts sizes as and when required in line with the methodology prescribed by SEBI.

---

# FAQ’s Online Trading Equity SIP

### 1.WHAT IS EQUITY SIP?

Equity SIP is a facility which provides you an opportunity to invest systematically and in a disciplined manner in specified stock(s) or ETF(s) (Exchange Traded Funds).

You can place BUY orders for a pre specified amount /quantity in stock(s) of your choice based on the plan selected by you (daily/ weekly/ monthly). This means that a onetime selection of SIP will allow RSL to place orders on your behalf on regular intervals.

---

### 2.WHO CAN AVAIL OF THIS FACILITY?

All trading clients of Reliance Securities Ltd. (RSL) can avail it.

---

### 3.WHAT ARE THE BENEFITS OF EQUITY SIP?

- No need to track the market regularly i.e., once an Equity SIP is placed, the selected stock(s) is purchased on your behalf as per your plan
- Helps bring down the average cost of investment
- Eliminates the risk of timing the market
- Accumulates wealth by investing small amount regularly
- Reduces the risk of market volatility

---

### 4.WHAT IS AN EQUITY SIP REQUEST?

An Equity SIP Request is an online instruction placed by you on the RSL website authorizing RSL to place BUY orders in your account as per the details specified by you.

---

### 5.CAN I PLACE EQUITY SIP REQUEST FOR SELL TRANSACTIONS?

No. You can place requests for "BUY" orders only.

---

### 6.DO I NEED TO ALLOCATE FUNDS FOR PLACING AN EQUITY SIP REQUEST?

No. An Equity SIP Request is merely an authorization given to RSL to place BUY orders in your account as per your instructions; hence funds are not required or used when you place a request. However, it is advisable to maintain funds in the ledger.
Your funds will be used at the time of placing actual SIP orders in the market on a trading day.

---

### 7.IF I PLACE EQUITY SIP REQUEST, WILL MY LEDGER BALANCE BE BLOCKED FOR THE TENURE?

No, your ledger balance will not be blocked. If you have sufficient free ledger balance on the SIP order placement date the order will be executed.

For example: if you have an SIP to invest Rs 1000 monthly with the order placement date as 15th of every month. Then on the 15th of every month your ledger balance will be checked and depending on the availability of Rs 1000 free balance your SIP order will be placed into the market.

---

### 8.CAN I PLACE EQUITY SIP REQUEST FOR ANY STOCK?

No, Equity SIP Request can be placed only in the selected stocks and ETF (Exchange Traded Funds) mentioned in the Equity SIP list (available on the RSL website).

---

### 9.WHERE CAN I VIEW THE EQUITY SIP STOCK LIST?

Link for the ‘Equity SIP Stock List’ is available under Equity SIP on the ‘Our Offerings’ page.

The list can also be viewed post login on the Equity SIP Request page through ‘Search SIP Stock’ button once your Equity SIP Subscription is activated.
Note: RSL may include or exclude any stock from the Equity SIP Stock list at any time without any prior

intimation. However, SIP request already placed in any discontinued stock will remain active for the specified tenure.

---

### 10.CAN I PLACE EQUITY SIP REQUEST IN FUTURE AND OPTIONS?

No, Equity SIP request can be placed only in Cash segment.

---

### 11.DO I NEED TO LOGIN TO MY TRADING ACCOUNT ON EVERY SIP DATE TO PLACE THE EQUITY SIP ORDERS?

No. Once you have placed your Equity SIP requests, RSL will place the Equity SIP buy orders on your behalf as per your SIP schedule for the stock. You need not login to your account every time to purchase the shares.

---

### 12.WHAT IS MEANT BY FREQUENCY?

Frequency means the time interval with which you wish to place your SIP orders (after the start date) in your account. The First order will be placed on the start date specified by you and thereafter at the defined frequency for the total tenure as per your request.

For example: If you have placed an SIP request for buying 100 shares of Reliance at a 'Monthly' frequency for a total period of 6 months with a start date of 15-05-2011. RSL will place 6 orders for this SIP, i.e the first order will be placed on the start date (15-05-2011) and the balance 5 orders will be placed on 15th of every month for the next 5 months.

---

### 13.WHAT WOULD BE THE FREQUENCY?

You can select daily, weekly or monthly frequency.

---

## Types of Equity SIP

### 14.WHAT ARE THE TYPES OF EQUITY SIP REQUEST I CAN CHOOSE ON AND HOW DO I INDICATE MY CHOICE?

You may select either Amount based SIP request or Quantity based SIP request. You can indicate your choice by selecting the desired option under the field "SIP Type" at the time of placing the Equity SIP request.

---

## Amount Based Equity SIP

### 15.WHAT IS "AMOUNT" BASED EQUITY SIP?

Amount based Equity SIP is a SIP type wherein a fixed amount (or approximately the same) is invested in your desired stock at each frequency.

In case of Amount based SIP; you need to specify the amount to be invested in the stock at your desired frequency. The amount specified by you should be equal to or above the minimum amount defined by RSL.

At the time of placement of your SIP order, since quantity of shares has to be specified, the same will be calculated by dividing the SIP amount specified by you with the previous day’s closing price of the stock plus 5% of the closing price.

**The formula would be:**
**Quantity = SIP Amount / (Previous Day’s Closing Price + 5% of Closing Price)**
Any fractional quantity will be ignored and order will be placed for the balance quantity. The actual order value would be based on the market price for the quantity so calculated above.

To calculate the no. of shares to be purchased based on the last closing price, 5% will be added to the closing price.

For Example: If closing price of ABB is Rs 800 and an Amount based SIP request is placed for Rs 2500. Though as per closing price SIP order should be placed for 3 (Rs 2500/800 = 3.12) shares, however in this case order will be placed for 2 shares (2500/840 = 2.97) only, because adding 5% to the closing price will amount to Rs 840 (800+5%), to ensure that the SIP order does not go above the specified amount.

However, in case of very volatile movement in the stock the actual SIP amount may go up marginally above the specified SIP amount due to the reason that the quantity is calculated based on previous day’s closing price and the order is executed at the current market price.

If the price of one shares calculated as per above formula is less than the specified SIP amount then the SIP order will not be sent to the exchange for that day and will be marked as ‘Unsuccessful’ SIP order in the Equity SIP Request Summary.

### 16.WHAT IS THE MINIMUM INVESTMENT AMOUNT REQUIRED FOR AMOUNT BASED SIP?

Minimum investment you can make in Equity SIP is Rs 250 **Daily** or above in multiples of Rs 10.

In case of **Weekly** frequency minimum investment amount would be Rs 500 or above in multiples of Rs 50.

In case of **Monthly** frequency minimum investment amount would be Rs 1000 or above in multiples of Rs 50.

## Quantity based Equity SIP

### 17.WHAT IS "QUANTITY" BASED EQUITY SIP?

Quantity based Equity SIP is a SIP type wherein a fixed quantity of shares of your desired stock is purchased at each frequency.

In case of Quantity based SIP, the quantity would be as specified by you and would be fixed while placement of orders as per your desired frequency. The order value would be based on the market price of the stock prevailing in the market at the time of order placement.

You can place an SIP request for minimum quantity of 1.

### 18.WHAT IS THE MAXIMUM AND MINIMUM TENURE FOR THE SIP?

In case of both Amount based and Quantity based SIP Maximum tenure is 24 months, and minimum tenure is **1 month for daily** frequency, **3 months for weekly** and **6 months for monthly**.
You can select any no. of months from the available range.

## How to Start Equity SIP

### 19.HOW CAN I AVAIL EQUITY SIP FACILITY?

You just need to activate your Equity SIP Subscription under the Equity SIP link post logging into your account. It will be activated instantly and then you can place your request for the desired stock.

### 20.HOW TO PLACE EQUITY SIP REQUEST?

Once your Equity SIP facility is activated, you can login to your trading account and click on Equity SIP link and proceed to place your SIP request

### 21.WHEN WILL MY SIP START AFTER PLACING THE SIP REQUEST?

Whilst placing Equity SIP Request you need to mention SIP start date. Your SIP will start based on the start date selected by you. Once you place a request your entire SIP schedule from first to last order will be generated which you can check under ‘Equity SIP Request Summary’ tab. Your SIP orders will be triggered on the scheduled dates.

### 22.WHEN WILL MY SIP ORDER BE PLACED?

You will specify your SIP Start date whilst placing your Equity SIP request, which could be any date for Daily SIP and incase of Weekly/Monthly SIP you can choose any date out of 7th, 15th, 22nd and 28th. Your first SIP order will be placed on the Start Date selected by you.

In case of Weekly SIP you order will be placed on 7th, 15th, 22nd and 28th of every month. In case of Monthly SIP your SIP order date will be based on your selected Start Date. For e.g if you select your monthly start date as 15th, then your orders will be placed on 15th of every month.

### 23.WHAT HAPPENS IF MY SIP ORDER PLACEMENT DATE FALLS ON A TRADING HOLIDAY?

In case the defined SIP order placement date falls on a trading holiday, then the order will be placed on subsequent trading day.

### 24.WHAT TIME MY SIP ORDER WILL BE PLACED?

Your SIP order will be placed into market between 9:30 AM to 10:00 AM.

**Note:** Client's orders under the scheme will be placed during 09:30 AM to 10:00 AM in the market hours on the order date specified by the client on best effort basis; however the order placement time may change due to system failure or any other reason. In such circumstances RSL should not be held responsible or liable for any actions, claims, demands, losses, damages, costs, charges, and expenses which client may suffer, sustain, or incur due to change in order placement time or non placement of the order.

---

### 25.AT WHAT PRICE WILL MY EQUITY SIP ORDERS BE PLACED AND WHERE CAN I SEE DETAILS OF THE SAME?

All Equity SIP orders will be placed as market orders. Once your SIP order is executed successfully the same will reflect in Traded Orders with the status as 'Trade Confirmed' with the Trade Price.

---

### 26.WHAT HAPPENS IF I DO NOT HAVE SUFFICIENT LEDGER BALANCE?

If you do not have sufficient free ledger balance as required to place your SIP order, your SIP order for that date will fail which will be displayed in Order Book with the status as 'Rejected' with the Reject reason as 'RMS: Margin Exceeds'.

---

### 27.IS THERE A POSSIBILITY THAT MY ENTIRE SIP ORDER MAY NOT BE EXECUTED AT THE EXCHANGE?

Yes. Reliance Securities Ltd. is merely your agent for placing orders as per the instructions given by you under the facility. RSL does not have any role to play in the execution of trades after the orders have been placed. Trade execution takes place at the exchange platform as per the order matching rules of the exchange. Thus there is a possibility that orders may be executed only partially or may not be executed at all; as is the case with normal cash transactions as well.

Your SIP order can also fail in case if the market price of the stock goes above your defined amount of investment or you do not have sufficient ledger balance at the time of order placement.

If any Equity SIP order fails due to any reason, the same order will not be attempted again or will not be clubbed with any future orders irrespective of the sufficient ledger balance.

However your remaining future SIP orders will be active and will be placed for execution on the scheduled dates.

---

### 28.CAN I PLACE MORE THAN ONE EQUITY SIP REQUEST?

You can place as many SIP request as you want once the facility is activated for your trading account.

---

### 29.WHAT IS "EQUITY SIP REQUEST SUMMARY"? WHAT ARE THE DETAILS AVAILABLE IN THE EQUITY SIP SUMMARY?

The "Equity SIP Request Summary" is a page which displays the details of the SIP requests placed by you. You can view the summary by visiting the Equity SIP Request Summary tab under the Equity SIP link. It provides the details of your entire SIP with SIP Request Date, Stock Name, Frequency, Quantity or Amount, Total Tenure, Total No. of Orders, No. of Pending orders, Next Trigger Date, Order Schedule from first to last order of the SIP, status of each SIP order.

Your SIP orders under the Equity SIP Details may have four types of Order Status as below:

**a .** Pending- When the order is pending to be executed in future.
**b .** Unsuccessful – When the defined SIP amount is less than the price of one share (calculated as per point no. 15)
**c .** Triggered – When the order is triggered to the exchange for execution.
**d .** Cancelled – When the SIP is cancelled by you.

---

### 30.DO I NEED TO PLACE DIFFERENT SIP REQUEST FOR DIFFERENT STOCKS?

Yes, you can specify only one stock in an SIP request. Hence if you want to place SIP requests for more than one stock you would be required to place separate SIP request.

---

### 31.CAN I PLACE EQUITY SIP REQUEST THROUGH CALL N TRADE OR DEALING DESK?

No, Equity SIP is a pure online product. You can place the request online only post login to your account. Equity SIP placement or cancellation request cannot be placed through Call N Trade or Dealing Desk

### 32.HOW WILL MY EQUITY SIP TRANSACTIONS BE SETTLED?

Settlement of Equity SIP transactions would be done in the same manner as cash transactions.

### 33.CAN I SELL SHARES WHICH I HAVE BOUGHT THROUGH EQUITY SIP?

Yes. Stocks bought in your demat account through Equity SIP are at par with the ones bought by you in the cash segment. You can therefore sell/ otherwise deal in such shares at anytime as per your requirement.

## Equity SIP Cancellation/Modification

### 34.CAN I CANCEL EQUITY SIP?

Yes, you can place a cancellation request for SIP. Once the cancellation request is placed all pending orders for the SIP will be cancelled.

### 35.IS THERE ANY TIME LIMIT FOR CANCELLATION OF EQUITY SIP?

You can cancel Equity SIP any time online, however if any SIP order placement date is pending for today then you need to place the cancellation request before 08:30 AM.

For example if your next SIP trigger date is 20th April 2011, then you can place the cancellation request before 08:30 AM on 20th April 2011.

### 36.CAN I MODIFY MY SIP AMOUNT, QUANTITY OR TENURE?

No, once SIP request is placed you will not be allowed to modify the amount, quantity, tenure or frequency. However, if you wish you can cancel the SIP request and can place a fresh request with your desired combination.

## Equity SIP Charges

### 37.ARE THERE ANY CHARGES FOR AVAILING EQUITY SIP FACILITY?

No, there are no charges to avail Equity SIP facility. However delivery brokerage will be applicable on the transaction value as per your existing brokerage tariff.

### 38.IS THE BROKERAGE RATE DIFFERENT FOR CASH AND EQUITY SIP TRANSACTIONS?

No, there is no change in the brokerage rates for Equity SIP transactions. Brokerage rates and applicable charges for Equity SIP transactions would be the same as your cash transactions.

### 39.IS THERE ANY PENALTY/CHARGE FOR CANCELLATION OF SIP?

No there is no charge on Cancellation.

### 40.IS THERE ANY PENALTY/CHARGE FOR MY SIP'S BEING REJECTED / UNSUCCESSFUL DUE TO NON AVAILABILITY OF FUNDS IN LEDGER?

Currently there are NO such charges, but if incidences are recurring for clients, then RSL may charge such customer for keeping insufficient funds and unnecessarily activating Equity SIP's.

# FAQ's Online Trading IPO

### WHAT IS AN INITIAL PUBLIC OFFERING?

Initial Public Offering, IPO, is when an unlisted company makes either a fresh issue of securities or an offer for sale of its existing securities or both for the first time to the public.

### WHAT ARE THE DIFFERENT KINDS OF ISSUES?

Primarily, issues can be classified as a Public, Rights or preferential
issues (also known as private placements). While public and rights issues involve a detailed procedure, private placements or preferential issues are relatively simpler. The classification of issues is illustrated below:Public issues can be further classified into Initial Public offerings andfurther public offerings. In a public offering, the

issuer makes an offer fornew investors to enter its shareholding family. The issuer company makes detailed disclosures as per the DIP guidelines in its offerdocument and offers it for subscription.

The significant features are illustrated below:

Issues
Public Preferential Rights
Initial Public Offering Further Public Offering
Fresh Issue Offer for sale Fresh Issue Offer for sale
Initial Public Offering (IPO) is when an unlisted company makes either a fresh issue of securities or an offer for sale of its existing securities or both for the first time to the public. This paves way for listing and trading of the issuer's securities.
**A follow on public offering (FPO)** is when an already listed company makes either a fresh issue of securities to the public or an offer for sale to the public, through an offer document. An offer for sale in such scenario is allowed only if it is made to satisfy listing or continuous listing obligations.
**Rights Issue (RI)** is when a listed company which proposes to issue fresh securities to its existing shareholders as on a record date. The rights are normally offered in a particular ratio to the number of securities held prior to the issue. This route is best suited for companies who would like to raise capital without diluting stake of its existing shareholders unless they do not intend to subscribe to their entitlements.
**A preferential issue** is an issue of shares or of convertible securities by listed companies to a select group of persons under Section 81 of the Companies Act, 1956 which is neither a rights issue nor a public issue. This is a faster way for a company to raise equity capital. The issuer company has to comply with the Companies Act and the requirements contained in Chapter pertaining to preferential allotment in SEBI (DIP

---

## WHAT ARE THE ELIGIBILITY NORMS FOR MAKING THESE ISSUES?

SEBI has laid down eligibility norms for entities accessing the primary market through public issues. There is no eligibility norm for a listed compaNy making a rights issue as it is an offer made to the existing shareholders who are expected to know their company. The main entry norms for companies making a public issue (IPO or FPO) are summarized as under:

**Entry Norm I (EN I):** The company shall meet the following requirements:
(a) Net Tangible Assets of at least Rs. 3 crores for 3 full years.
(b) Distributable profits in atleast three years
(c) Net worth of at least Rs. 1 crore in three years
(d) If change in name, atleast 50% revenue for preceding 1 year should be from the new activity.
(e) The issue size does not exceed 5 times the pre- issue net worth
To provide sufficient flexibility and also to ensure that genuine companies do not suffer on account of rigidity of the parameters, SEBI has provided two other alternative routes to company not satisfying any of the above conditions, for accessing the primary Market, as under:

**Entry Norm II (EN II):**
(a) Issue shall be through book building route, with at least 50% to be mandatory allotted to the Qualified Institutional Buyers (QIBs).
(b) The minimum post-issue face value capital shall be Rs. 10 crore or there shall be a compulsory market-making for at least 2 years
OR
**Entry Norm III (EN III):**
(a) The "project" is appraised and participated to the extent of 15% by FIs/Scheduled Commercial Banks of which at least 10% comes from the appraiser(s).
(b) The minimum post-issue face value capital shall be Rs. 10 crore or there shall be a compulsory market-making for at least 2 years.
In addition to satisfying the aforesaid eligibility norms, the company shall also satisfy the criteria of having at least 1000 prospective allotees in its issue

---

## IS THERE ANY CATEGORY OF ENTITIES WHICH ARE EXEMPTED FROM THE AFORESAID ELIGIBILITY NORMS?

Yes, SEBI (DIP) guidelines have provided certain exemptions from the eligibility norms. The following are eligible for exemption from entry norms.
(a) Private Sector Banks
(b) Public sector banks
(c) An infrastructure company whose project has been appraised by a PFI or IDFC or IL&FS or a bank which

was earlier a PFI and not less than 5% of the project cost is financed by any of these institutions.
(d) Rights issue by a listed company

### WHAT IS SEBI'S ROLE IN AN ISSUE?

Any company making a public issue or a listed company making a rights issue of value of more than Rs 50 lakhs is required to file a draft offer document with SEBI for its observations. The validity period of SEBI's observation letter is three months only i.e the company has to open its issue within three months period.

### WHAT IS A FOLLOW ON PUBLIC OFFERING?

A Follow on Public Offering, FPO, is when an already listed company makes either a fresh issue of securities to the public or an offer for sale to the public, through an offer document. An offer for sale in such scenario is allowed only if it is made to satisfy listing or continuous listing obligations.

### WHAT IS A FIXED PRICE IPO?

It's an issue where issuing company defines single price per share. After subscription, company decides the basis of allotment depending upon under/over subscription. On this basis an applicant may or may not get allotment of shares.

### WHAT IS A BOOK BUILDING IPO?

It's an issue where issuing company defines a price range i.e floor (lower) price and Cap (Upper) price. After subscription, company decides the basis of allotment depending upon under/over subscription. On this basis an applicant may or may not get allotment of shares.

### HOW CAN I INVEST IN AN IPO?

At Reliance Money, investing in IPOs hassle-free i.e. without going through the tedious process of filling the application form, signing cheque and finding location for submitting form. All you need to do is fill in the requisite details in the online screens by selecting IPO page of the main trading menu and then select desired issue. Required paperwork will be done by us for you on the basis of the information provided by you.

### WHAT IS A CUT OFF PRICE?

In Book building issue, the issuer is required to indicate either the price band or a floor price in the red herring prospectus. The actual discovered issue price can be any price in the price band or any price above the floor price. This issue price is called "Cut Off Price". Only retail individual investors have an option of applying at Cut Off Price.

### HOW IS THE RETAIL INVESTOR DEFINED AS?

'Retail Individual Investor' means an investor who applies or bids for securities of or for a value of not more than Rs.1,00,000/=.

### CAN I VIEW MY TRANSACTIONS?

Yes you can view your transactions by clicking IPO Order Book link on main menu. You need to give the date range and all transactions for specified date range will be displayed.

### CAN I MODIFY MY TRANSACTIONS?

Once order is successfully placed, you cannot modify your transaction.

### HOW DO I KNOW IF MY APPLICATION IS ACCEPTED OR REJECTED?

You will receive an email from Reliance Securities for the status of your application.

### HOW DO I KNOW IF I AM ALLOTTED THE SHARES?

You will receive an email from Reliance Securities about allotment of shares. Alternatively you can also check up your demat account balance with your Depositary Participant.

## FAQ's Online Trading Charting

## HOW DO I SUBSCRIBE?

Go to charting section of our website Click on free trial and your 7 days trial will start or call Helpdesk on 39886000.

---

## HOW WILL YOU CHARGE ME FOR THIS SERVICE?

The amount will be debited from your ledger. Currently we are planning to make the process weekly (every Saturday). Currently the start date of all the subscribed clients is 10-June-2008.

---

## HOW MANY PLANS ARE THERE & WHAT ARE THEIR CHARGES?

Plans Amount Duration 30 web Rs.199.00 30 days, 90 web Rs.499.00 90 days , 180 web Rs.699.00 180 days, 365 web Rs.999.00 365 days , 90 web + sms Rs.599.00 90 days, 180 web + sms Rs.799.00 180 days , 365 web + sms Rs.1099.00 365 days

---

## WHAT DO I GET AFTER SUBSCRIBING TO THIS CHARTING FACILITY?

Review the stocks. For example, you can get a list of the most recent Technical Events and Patterns for the stocks in your portfolio. Find new investment opportunities. For example, you can search for all stocks, on the BSE & NSE, that have formed a bullish/bearish pattern. Review the historical behaviour. For example, you can get a list of all the patterns for a specific security for the last 3 years and then use those to analyse if you should invest based on the most recent pattern. Set Alerts: For example, you can set an alert that will send you an email when any pattern occurs in any of the stocks you own.

---

## I AM NOT RELIANCE MONEY CUSTOMER, CAN I SUBSCRIBE TO THIS FACILITY?

Currently this plan is only for Reliance Money clients charting Service will be made available to all shortly.

---

## WHAT IS THE SIGNIFICANCE OF THESE PATTERNS?

Chart patterns have been used in the financial markets for over 100 years. In general, they reflect group behavior in the stock markets and provide insight on the direction the price is expected to take. The popularity of using these patterns to forecast price movements has been growing in recent years, partly due to the increase in home computers and the availability of stock market charting programs. The Internet has also contributed to increased use of this analysis technique.

---

## WHAT VALUE DOES SERVICE BRING TO CHART PATTERN IDENTIFICATION?

Like many investment disciplines, chart pattern identification and analysis is a manual activity that has long been considered more of an art than science. A chart is drawn, either by hand or on a computer screen. The analyst looks at the chart over different price scales and using different time periods to attempt to visually determine if any of the 50 or so known chart patterns are forming. If the analyst does not see any patterns on the chart they continue on to the next chart.

---

## DOES THIS MEAN THAT SERVICE CAN ACCURATELY PREDICT THE STOCK MARKET?

The information provided by the identification of these patterns often gives strong indication as to the direction the price of a security will move over the short term. This service provides automated identification of price movements and patterns. These can be used by investors to make better investment decisions. Charting service does not offer investment advice.

---

## HOW OFTEN DO YOU SCAN THE MARKETS?

Every security from each exchange is reviewed after the close of each trading day. All recognition is performed at that time and all of the found patterns are placed in a database for retrieval.

---

## WHEN IS THE PATTERN INFORMATION AVAILABLE?

The pattern recognition process is completed around midnight to ensure that the information is available before the open of the next days trading.

---

## WHAT IS THE DIFFERENCE BETWEEN CANDLESTICK PATTERNS AND BAR CHART PATTERNS?

In general, patterns located in Candlestick charts describe a single days activity or activity over a few days. Patterns located in Bar charts are frequently formed over a series of days, weeks, months or years. It is the series of price bars over time that depict price swings and form the pattern. This is sometimes referred to as a Classic pattern. You can find out more about patterns in our Pattern Descriptions section.

# FAQ's Online Trading Shares as Collateral

### Who can avail shares as collateral facility?

This facility is activated for all Reliance Securities Limited (RSL) customers except NRI.

### From where and how can a client avail shares as collateral facility?

No action is required from client side. System automatically calculates the collateral value for all the eligible scrips lying in client's depository account (after applying haircut) & allows the client to take exposure against collateral.

### Will all the scrips allowed for trading by RSL be considered as collateral?

No. RSL will decide from time to time the list of stocks that will be available as collateral.

### How will the client view his collateral value?

Collateral value will be reflected in the "Limits report" under the "Positions" menu available on the Trading portal, Insta Plus. This limit will be shown as "Collateral Value".

### How is the collateral value calculated?

Collateral value of an eligible stock lying in the depository account will be calculated as (Quantity* Last Traded Price)*Applicable Haircut Percentage. The haircut % for each stock will be decided by the company (Ranging between 20% and 60%), applicable from time to time. For example if client has 100 shares of Reliance Capital in his depository account then the collateral value will be calculated as follows:

- Market value of shares = (last traded price x quantity) Rs.1000 * 100 = Rs. 1,00,000
- Applicable hair cut for Reliance Capital scrip = 20%
- Collateral value given against Reliance Capital stock = [100000-(20%*100000)]= Rs.80,000

### For which positions the benefit of collateral value be given?

Clients can take intraday positions in the cash segment (MIS) using the collateral value as margin. Clients can also take Futures and Options sell positions using the collateral value as margin.

### Will MTM Loss made on any position be adjusted against the collateral value?

No, MTM Loss will not be adjusted against these limits. But MTM Loss will get reduced from balance available limits.

### What happens if a client makes losses on the positions taken against the collateral value?

If position taken by client against collateral value as margin is running in loss, such positions can be liquidated by RSL if available margin falls below minimum margin requirement. This liquidation of position by RSL may result in realized loss for client.

If client ledger doesn't have the sufficient cash balance to cover for that loss, his collateral value can also be liquidated to meet the shortfall. RSL also reserves its right to sell the other shares of the client in case the shortfall is not met by liquidation of collateral, as mentioned above.

### Who will get the benefit of the corporate actions like bonus, dividends, etc. while the stocks are taken as collateral?

Stocks will continue to remain in clients beneficiary account and hence clients will get the benefits in their name.

### Will there be any auto pledge creation at the end of day?

If client has taken position in derivatives & there is a margin short fall at end of trading hours, then auto pledge is created on the scrips (lying in client depository account) eligible to be marked as collateral to the extent of margin short-fall.

In case of pledge stocks, any off market transfer given by clients on such pledged shares are likely to be rejected due to marking of pledge, unless unpledged.

# FAQ's Online Trading NRI Services

### WHAT IS PIS?

Portfolio Investment Scheme (PIS) is a scheme of the Reserve Bank of India (RBI) defined in Schedule 3 of Foreign Exchange Management Act 2000 under which the "Non Resident Indians (NRIs)" and "Person of Indian Origin (PIOs)" can purchase and sell shares and convertible debentures of Indian Companies on a recognized stock exchange in India by routing all such purchase/sale transactions through their account held with a Designated Bank Branch.

Financial leg of PIS transactions must be routed through a single dedicated PIS Bank account (NRE or NRO) maintained with a designated Bank Branch in India (identified by Reserve Bank of India). Securities leg (i.e. placing buy/sell orders, maintenance of demat account etc.) can be done through any SEBI approved Broker / Depository Participant

### WHAT IS NON-PIS ACCOUNT?

It is a normal savings bank account, which can be opened with any bank in India. Non-PIS is an account for which the transactions are not reported to RBI. This account takes care of selling all those shares, which are not allowed under PIS. Shares acquired under IPO or received as gift or bought as resident Indian can be sold under Non-PIS account.

### WHAT ARE OBJECTIVE OF PIS?

For all the Indian companies or companies listed on Indian stock exchanges, there are certain limits which have to be monitored under FEMA regulations. For any company the foreign investment into that company cannot cross certain limit. This limit is different from company to company and sector to sector. Also individually any NRI or a PIO cannot invest more than 5% in any Indian company.

### HOW MANY PIS ACCOUNTS CAN A NRI CUSTOMER OPEN?

NRI/PIO can open only one PIS account with any of the designated banks in a prescribed format for PIS account, upon which the bank can issue a PIS approval letter to the investor. If the investor wants to shift banking relationship to other bank, then they have to obtain No objection certificate from your existing banker to cancel the PIS approval with them.

### WHAT ARE THE PRODUCTS UNDER PIS?

Any investment done in secondary market should be routed through a PIS account. For other products the investment can be done through direct subscription route. Mutual funds are to be traded through Non PIS accounts.

### WHAT TYPE OF TRANSACTIONS IS ALLOWED UNDER NON-PIS ACCOUNT?

- Sale of shares, which were, acquired other than PIS.
- Shares acquired through IPO's
- Gifts from relatives or otherwise
- Shares bought as resident Indian
- Fresh acquisition through IPO's.
- Investment in Mutual Funds

### WHAT IS REPATRIABILITY OF NRI INVESTMENTS UNDER PIS?

Investment can be made on repatriation as well as non-repatriation basis. However, an NRI will have to open NRE account as well as NRO account with designated bank branch as the sale proceeds of non-repatriation investment can only be credited to NRO account.

## WHAT ARE NRE AND NRO ACCOUNTS?

NRE stands for Non Repatriable External account and NRO stands for Non Repatriable Ordinary account. Difference between the two is that, funds can be converted into foreign currency from NRE account only. This implies that the funds can be repatriated out of India through NRE account. However, for certain purposes like education, medical treatment etc. RBI allows repatriation from NRO account also subject to limit for individual causes.

## WHAT IS THE LIMIT FOR PURCHASE BY NRIS UNDER THE PIS?

Yes. An NRI can purchase up to a maximum of 5% of the aggregate paid up capital of the company (equity as well as preference capital) or the aggregate paid up value of each series of convertible debentures as the case may be. For the purpose of this ceiling, investment under the Portfolio Investment Scheme on repatriation as well as non-repatriation basis will be clubbed together.

## ARE THERE ANY CHARGES FOR PIS, DEMAT, BROKING ETC.?

Yes, there are charges associated with the PIS account like Annual Maintenance charge, transaction charge etc. Similarly the depository participant and authorized broker will also charge for the trades as per their fees schedule. Please contact a designated bank, DP and the broker for the Schedule of charges.

## UNDER WHAT CIRCUMSTANCES CAN INVESTMENTS MADE UNDER PIS ARE REPATRIATED?

The repatriation of the sale proceeds, net of taxes, are allowed if the original purchase was made on repatriation basis and such investments were made out of funds from NRE/FCNR account or by means of remittance from abroad. Corporate benefits may be in the form of dividend, interest, rights, bonus, etc. Any corporate benefit resulting out of investment in securities on non-repatriation basis will not carry the right of repatriation.

## DO NRIS ALREADY HAVING AN ACCOUNT HAVE TO OPEN ANOTHER NRE/NRO ACCOUNT? CAN THE ACCOUNT BE JOINT A/CS?

As per recent RBI guidelines, NRI should have a separate bank account exclusively for PIS purposes. Transactions relating to their personal banking as well as on account of transactions relating to shares acquired other then under PIS including IPOs should be routed in a separate bank account not linked to PIS. Account/s can be jointly held.

## IF AN NRI HAS EXISTING PORTFOLIO PURCHASED UNDER IPO IN PRIMARY MARKET BOTH ON REPATRIATION AS WELL AS NON-REPATRIATION BASIS, DOES HE STILL HAVE TO ROUTE THE SALES OF SUCH HOLDING THROUGH THE DESIGNATED BANK?

The shares/convertible debentures acquired under IPO need not be routed through Designated Bank as this does not come under PIS. Such transactions, if routed through designated bank, should be done in a separate bank account not linked to PIS. These come under the purview of Non-PIS.

## HOW DOES NRI KNOW WHETHER A PARTICULAR COMPANY IS OPEN FOR INVESTMENTS BY NRI?

RBI notifies a list of companies where the ceiling limit has reached and where no fresh purchases can be made. This list is called ban list.

RBI also notifies a list called caution list notifying the names of companies whose NRI holdings has reached 2% below the ceiling limit. Any further purchases are allowed only by obtaining prior approval from RBI. The RBI on first come first serve basis issues such approvals. Customers ban/ caution list can be obtained from the PIS branch.

## IS THERE ANY TAX OBLIGATION?

The sales proceeds are subject to Capital Gains tax. The rate of tax depends upon the period of holding. Currently the rate for short-term capital gains tax is 10.3% and for long-term capital gains is NIL. The Designated Bank will deduct such tax at source.

## IS IT COMPULSORY TO PLACE THE ORDERS FOR PURCHASE/SALE OF SHARES/CONVERTIBLE DEBENTURES THROUGH THE DESIGNATED BANK?

The orders need not be placed through the Designated Bank. However, the reporting of the transaction shall be done to the Designated Bank on the same day of transaction along with original contract note. However, the payment and receipt of funds in settlement of such trade has to be routed through the Designated Bank account.

### ⊟ CAN NRI SELL THE SHARES/CONVERTIBLE DEBENTURES PURCHASED WITHIN THE SAME SETTLEMENT CYCLE?

No. NRI cannot sell without taking delivery of the shares/convertible debentures purchased. Short selling is not permitted under PIS.

---

### ⊟ HOW DOES NRI CORRECT ITS POSITION IN CASE OF PURCHASE OF SHARE/CONVERTIBLE DEBENTURES IN EXCESS OF THE PRESCRIBED LIMIT IF ANY?

NRI will have to off load such portion of the holding, which is in excess of the prescribed limit.

---

### ⊟ HOW ARE CLIENT AND BROKER ACCOUNT OPERATED?

If the client has issued 'Letter of authority' favoring the broker for PIS transactions, bank debits client account and credits broker in case of purchases and credits client account with subsequent debit to broker account incase of sell transactions.

---

### ⊟ CAN WE TRADE IN FUTURE & OPTIONS ON REPATRIABLE BASIS?

NRIs can trade in Future & Options on non-repatriable basis through NRO account. This is not under purview of PIS.

---