

## **STOCKBROKER AGREEMENT**

This Agreement is made and entered into on this..... day of..... Two Thousand and..... at.....

### **By and Between**

(1) .....<Name> [bearing National Identity Card No./Company registration No.....] of .....<Address> (hereinafter referred to as the "**Client**") of the **One Part**

### **And**

NDB Securities (Private) Limited, a company duly incorporated under the laws of Sri Lanka bearing Company registration No. PV 1961 and having its registered office at No 40, Nawam Mawatha, Colombo 02 and having its business address at Level 2, NDB Capital Building, 135, Baudhaloka Mawatha, Colombo 04 (hereinafter referred to as the "**Stockbroker Firm**" which term or expression as herein used shall where the context requires or admits mean and include the said NDB Securities (Private) Limited, its successors and permitted assigns) of the **Other Part**;

**The Client and the Stockbroker Firm shall hereinafter be collectively referred to as "Parties" and each individually as "Party".**

**WHEREAS** the Stockbroker Firm is a Member of the Colombo Stock Exchange (hereinafter referred to as the 'CSE') and is licensed by the Securities and Exchange Commission of Sri Lanka (hereinafter referred to as the 'SEC') to operate as a Stockbroker;

**AND WHEREAS** the Client is desirous of trading on the securities listed on the CSE through the said Stockbroker Firm and the Stockbroker Firm agrees to provide such services to the Client in accordance with the applicable Rules of the CSE, SEC, Central Depository Systems (Pvt) Limited (CDS) and other applicable laws of Sri Lanka.

**NOW THEREFORE THIS AGREEMENT WITNESSETH** and it is hereby agreed by and between the Parties hereto as follows:

### **1.0 RIGHTS AND RESPONSIBILITIES OF THE CLIENT**

**1.1** Subject to clause 1.5 below;

- a) The Client shall provide to the Stockbroker Firm, the name of the persons;
  - Authorized to give trading orders and settlement instructions; and,
  - To whom payments by the Stockbroker Firm are to be made.
- b) In the event of a Corporate Client Account, the Client shall provide to the Stockbroker Firm, the name/s of specific directors and officers authorized to;

- Trade in securities; and
- Execute all documentation for trading and settlement in the account, together with a copy of the Board resolution certified by the Company Secretary evidencing same.

The aforesaid person/s shall hereinafter be referred to as 'authorized person/s'.

- 1.2** The Client shall notify the Stockbroker Firm in writing, if there is any change in the contact and/or other information provided by the Client to the Stockbroker Firm, within seven (7) calendar days of such change.
- 1.3** Subject to clause 1.5 below, in the event the Client/authorized person(s) (as applicable) intends to purchase and/or sell securities, the Client/authorized person(s) (as applicable) shall give specific order instructions to the Registered Investment Advisor. A Registered Investment Advisor means an employee of the Stockbroker Firm dealing with clients, having successfully completed the training component specified by the SEC and certified as a Registered Investment Advisor by the SEC.
- 1.4** The Client/authorized person(s) (as applicable) authorize/s the Stockbroker Firm to accept order instructions given by the Client/authorized person(s) (as applicable) to the Stockbroker Firm pertaining to the CDS Account of the Client through electronic means and other means including telephone, Short Message Service (SMS), E-mail and Fax. The order instructions provided by the Client/authorized person(s) (as applicable) through aforesaid means shall not be revoked or withdrawn by the Client/authorized person(s) (as applicable) after the execution of the order and shall therefore be confirmed.
- 1.5** If the Client intends the Stockbroker Firm to use the Stockbroker Firm's own judgment, expertise and discretion to buy or sell securities on behalf of the Client, the Client shall provide the prior written authorization to the Stockbroker Firm for same.

The said written authorization provided by the Client to the Stockbroker Firm shall clearly include the following;

- Name of the Client and the CDS Account Number;
- Effective Date of the authorization;
- Applicable period of the authorization;
- Investment objective (short term, long term, trading in any specific industry, any other specifications); and
- Purpose of giving discretion to the Registered Investment Advisor.

- 1.6** The Client shall ensure that cleared funds are made available to the Stockbroker Firm in respect of the securities purchased by the Stockbroker Firm on behalf of the Client, by 09.00 hours on the Settlement date (which means the Trade day plus three Market days (T+3) or as may be determined by the CSE from time to time) of such purchase transaction and if the Client fails to make payment as aforesaid, the Stockbroker Firm

may, at its absolute discretion, charge an interest commencing from the day after the Settlement date at a rate decided by the Stockbroker Firm, but not exceeding 0.1% per day as specified in the Stockbroker Rules of the CSE.

The Client shall accept the liabilities arising from all authorized transactions executed in the CDS Account of the Client/authorized person(s) (as applicable) by the Registered Investment Advisor.

- 1.7** If the Client has a complaint against the Stockbroker Firm relating to a particular transaction, the Client shall first refer such complaint to the Compliance Officer of the Stockbroker Firm, in writing, within a period of three (3) months from the date of the transaction.

Where the Client is not satisfied with the decision given by the Stockbroker Firm or the manner in which the complaint was dealt with by the Stockbroker Firm, the Client may refer the complaint to the CSE, in writing, in accordance with the Procedure set out by the CSE (which is available on the CSE website, [www.cse.lk](http://www.cse.lk))

- 1.8** The Client agrees that the Stockbroker Firm may, at its absolute discretion, sell not only the securities in respect of which payment has been defaulted by the Client, but also any other securities lying in the CDS Account of the Client in respect of which payment has been made by the Client, in full or part, in order to enable the Stockbroker Firm to recover the monies due to the Stockbroker Firm from the Client including interest and other applicable charges.

- 1.9** (i) Where the Client fails to make cleared funds available by and including Settlement date the Stockbroker Firm may at its sole discretion provide an extended period for settlement of payments due for purchase of securities to the Client up to a maximum of fifty percent (50%) of the market value of the securities portfolio of the Client subject to the payment of interest at a rate as may be decided by the Stockbroker Firm subject to clause 1.6. The “market value” means the value of the listed securities marked to market at the end of each market day.

(ii) Where the market value of the Client portfolio falls by ten percent (10%), the Client shall immediately meet the short fall in a manner specified by the Stockbroker Firm and where the Client fails to do so the Stockbroker Firm shall sell any listed securities lying in the CDS Account of the Client to meet such shortfall.

- 1.10** The Client agrees that the Stockbroker Firm shall only provide an extended period for settlement in accordance with clause 1.9 by holding the Client’s portfolio of securities by the Stockbroker Firm as collateral until the Client settlement is finalized.

**1.11** The Client agrees that the Stockbroker Firm shall hold sales proceeds for future transactions where such settlement instructions have been provided in writing or where monies are due and payable to the Stockbroker Firm by the Client in settlement of a securities transaction, charges or interest payable by the Client at any given time.

**1.12** The Client shall not;

- a. Use any funds derived through illegal activity for the purpose of settling purchases of securities to the Client's CDS Account.
- b. Enter into any verbal or written agreement with an employee of the Stockbroker Firm to share profits arising from the transactions carried out on behalf of the Client by the Stockbroker Firm.

## **2.0 RIGHTS AND RESPONSIBILITIES OF THE STOCKBROKER FIRM**

**2.1** Subject to clause 2.3 below;

- a) The Stockbroker Firm shall obtain from the Client, the name of the persons;
  - Authorized to give trading orders and settlement instructions; and,
  - To whom payments by the Stockbroker Firm are to be made.
- b) In the event of a Corporate Client Account, the Stockbroker Firm shall obtain from the Client, the name/s of specific directors and officers authorized to;
  - Trade in securities; and,
  - Execute all documentation for trading and settlement in the account, together with a copy of the Board resolution certified by the Company Secretary evidencing the same.
- c) The Stockbroker Firm shall carry out all transactions based on the specific order of instructions provided by the Client/authorized person(s) (as applicable) through the communication channels specified in clause 1.4 of this Agreement.

**2.2** Prior to accepting any orders from a third party on behalf of the Client, the Stockbroker Firm shall first obtain the written authorization of the Client empowering the third party to trade on behalf of the Client through the Client's CDS Account.

**2.3** The Stockbroker Firm shall not exercise the discretion to buy or sell securities on behalf of the Client, unless the Client has given prior written authorization to the Stockbroker Firm to effect transactions for the Client without his specific order instructions as set out in clause 1.5 of this Agreement.

**2.4** The Stockbroker Firm shall send to the Client a note confirming the purchase and/or sale of securities (bought/sold note) by the end of the trade day (T). Upon obtaining the prior consent of the Client, the Stockbroker Firm may send the bought/sold notes to the Client in electronic form to the e-mail address provided by the Client for such purpose.

- 2.5** The Stockbroker Firm shall send a Statement of Accounts to the Client who is a debtor over Settlement date, on a fortnightly basis or as directed by the CSE from time to time. This should apply when the client has had transactions during the month and the "interest charged on delayed payment" should also be considered as a transaction for this purpose. Such Statement of Accounts shall specify the transactions in the account including receipts and payments during the month under reference.
- 2.6** In the event the Statements of Accounts are issued electronically, the Stockbroker Firm shall obtain the consent of the Client and retain evidence of such consent.
- 2.7** The Stockbroker Firm shall communicate in writing, directly with its Client in respect of statements, bought/sold notes or any other information unless the Client has authorized the Stockbroker Firm otherwise in writing.
- 2.8** The Stockbroker Firm shall ensure that 'cleared funds' are made available to the Client/authorized person (as applicable) on the settlement date, unless the Client has expressly permitted the Stockbroker Firm, in writing, to hold the sales proceeds for future purchases.
- 2.9** Where a margin requirement is imposed by the CDS on the Stockbroker Firm for any or all transactions carried out on the CSE in terms of the CDS rules, the Stockbroker Firm shall be entitled to obtain collateral from the Client in the form of Cash or Government Securities or otherwise and in a manner specified by the CDS rules from time to time.
- 2.10** Where the Client has authorized the Stockbroker Firm in writing to retain sales proceeds for future sales, the Stockbroker Firm shall reconcile the Client account and send the Statement of Account indicating the outstanding balances.
- 2.11** Upon the request of the Client, the Stockbroker Firm may:
- a) Extend credit facilities to the Client solely for the purpose of purchasing securities on the CSE and in accordance with the applicable Rules set out in the CSE Stockbroker Rules and terms and conditions mutually agreed to between the Client and the Stockbroker Firm subject to the Client entering into a written agreement with the Stockbroker Firm for extension of such facilities.
  - b) Provide internet trading facilities to such Client based on a written agreement mutually agreed upon between the Client and the Stockbroker Firm, in accordance with the requirements applicable to Internet Trading published by the CSE from time to time.
- 2.12** The Stockbroker Firm shall assign a Registered Investment Advisor to deal with the Client and shall inform such Client regarding the name and contact details of the Registered Investment Advisor assigned to such Client. Further, the Stockbroker Firm shall inform the Client in writing regarding any change to the Registered Investment Advisor within seven (7) Calendar Days of such change.
- 2.13** The Stockbroker Firm undertakes to maintain all information of the Client in complete confidence and the Stockbroker Firm shall not disclose such information to any person except in accordance with the Stockbroker Rules of the CSE or in accordance with the requirements of the SEC.

- 2.14** The Stockbroker Firm may recover any outstanding balance arising from the purchase of securities of the Client from the sales proceeds due to the buyer only in the circumstances set out in the Stockbroker Rules of the CSE.
- 2.15** The Stockbroker Firm shall provide services to the Client in compliance with the applicable Rules of the CSE, CDS, SEC and other applicable laws of Sri Lanka.

### **3.0 RISK DISCLOSURE STATEMENT**

- 3.1** The Stockbroker Firm agrees that Registered Investment Advisors of the Stockbroker Firm shall be authorized by its Board of Directors to make declarations on behalf of the Stockbroker Firm confirming that such Registered Investment Advisor has explained the applicable Risk Disclosures to the Client and has executed the declaration set out in Schedule 1 hereto in proof of same and such Schedule 1 shall form part and parcel of this Agreement.
- 3.2** The Client agrees and acknowledges that he/she/it has understood the Risk Disclosures explained by the Registered Investment Advisor and executed the Acknowledgement set out in Schedule 2 hereto and such Schedule 2 shall form part and parcel of this Agreement.
- 3.3** The Client acknowledges that trading over telephone and electronically involves many uncertain factors and complex hardware, software systems and communication lines, which are susceptible to interruptions, disturbances and dislocations and the Stockbroker Firm makes no representation or warranty that the services will be available to the Client at all times without interruption, disturbance or dislocation. The services are provided by the Stockbroker Firm on an "as available" basis without warranties of any kind, either express or implied.

### **4.0 LIABILITY FOR DEFAULTED OR FAILED SETTLEMENT**

- 4.1** The Client shall be liable to the Stockbroker Firm for any payment due and payable to the Stockbroker Firm in respect of any securities transaction carried out by the Stockbroker Firm on behalf of the Client, costs, charges, and penalties (including but not limited to brokerage, commissions, transfer fees, registration fees, administrative fees, compensation payable under the CDS rules, stamp duties, taxes, legal fees and other lawful liabilities) (collectively, "Costs, Charges and Penalties") incurred by or imposed on the Stockbroker Firm that results from the default, failed settlement, negligence, wrongful acts or omission of the Client, in respect of any losses incurred, or any matter or event whatsoever arising out of, in the course of, by reason or in respect of any breach of the Rights and Obligations.

- 4.2 A certificate issued by the Stockbroker Firm as to the nature and amount of any Costs, Charges and Penalties shall be conclusive evidence of such amounts stated therein. The provisions of this clause shall survive the termination of the Rights and Responsibilities of the Client.

## 5.0 INDEMNITY AND LIMITATION OF LIABILITY

- 5.1 Each Party hereto, agrees to indemnify, defend and hold harmless the other Party against any loss, liability, damages, claims and costs, which each such Party may sustain by reason of negligence and/or breach of the terms and conditions hereof committed by the other Party hereto or its representatives. The aggrieved Party shall be entitled to enforce its/his/her indemnity rights by injunction or other equitable relief in any competent court of law in Sri Lanka.
- 5.2 The Client agrees that the Stockbroker Firm shall not be liable for any losses arising out of or relating to any cause which is beyond the control of the Stockbroker Firm.

## 6.0 DEFAULT EVENTS

- 6.1 Without prejudice to any other rights of the Stockbroker Firm under this Agreement, any other agreement or otherwise at law, the Stockbroker Firm may at any time after the occurrence of a Default, do any one or more of the following by giving notice to Client to:
- (a) Satisfy any obligation the Client may have to the Stockbroker Firm, in such manner and upon such terms as the Stockbroker Firm may in its discretion decide, of and from all or any part of any assets of the Client held by the Stockbroker Firm; and/or
  - (b) Immediately suspend, cancel or terminate any or all services or transactions entered into or effected with or for the Client including any open positions of the Client for the purchase and sale of securities at prevailing market prices or at prices regarded by the Stockbroker Firm in good faith at the best prices available at such time; and/or
  - (c) Accelerate any and all liabilities (whether actual or contingent at that time) of the Client to the Stockbroker Firm so that they shall become immediately due and payable; and/or
  - (d) Suspend or terminate the Rights and Obligations
  - (e) Seek recourse through legal action in order to recover any and all dues from the Client
- 6.2 For the purposes of Clause 6.1 a “Default” shall be deemed to occur in the event that:
- (a) The Client fails to comply with or observe any provision of the Rights and Obligations or any other lawful obligation owed to the Stockbroker Firm;
  - (b) A petition in bankruptcy is filed against the Client or an order is made or resolution passed for the Client's voluntary or compulsory winding up or a meeting is convened for the purpose of considering a resolution that the Client should be so wound up;
  - (c) The Stockbroker Firm reasonably believes that the Client has given the Stockbroker Firm false information at any time;

- (d) Any representation, warranty, covenant or undertaking made by the Client in any document delivered to the Stockbroker Firm in connection with the Agreement was when given or hereafter becomes incorrect in any respect;
- (e) If the Stockbroker Firm considers it necessary for compliance with any rules or regulations of the Exchange;
- (f) In the event that any warrant or order of attachment or distress or equivalent order is issued against any of the Client's accounts with the Stockbroker Firm; or
- (g) Any other matter or event arises including any regulatory requirement, which in the Stockbroker Firm's good faith opinion renders termination necessary or advisable in the interests of the Stockbroker Firm.

## **7.0 TERMINATION**

- 7.1** This Agreement shall forthwith terminate, if the Stockbroker Firm for any reason ceases to be a Member of the CSE or if the license issued to the Stockbroker Firm by the SEC is cancelled.
- 7.2** The Parties shall be entitled to terminate this Agreement upon giving notice in writing of not less than fourteen (14) calendar days to the other Party.
- 7.3** Notwithstanding such termination, all rights, liabilities and obligations of the Parties arising out of or in respect of the transactions entered into prior to the termination of this Agreement shall continue to be in force.

## **8.0 NOTICES**

Any communication or notice required or permitted to be given under this Agreement shall be made in writing and shall be deemed to have been duly and validly given (i) in the case of notice sent by letter or cable, upon receipt of same, and (ii) in the case of notice sent by e-mail, upon express acknowledgement of receipt of transmission by the recipient, addressed, in each case, as follows:

To the Stockbroker Firm:

Attention: Mr. Gihan Cooray, Chief Executive Officer

Level 2, NDB Capital Building

135, Bauddhaloka Mawatha

Colombo 04

Email: gihan@ndbs.lk

Phone: +94 (11) 2131000



To the Client

Attention: [Name]

[Address]

[Email]

[Phone]

**9.0 GOVERNING LAW AND JURISDICTION**

**9.1** This agreement shall be governed by and construed in accordance with the laws of Sri Lanka.

**9.2** The Courts of Colombo shall have jurisdiction over any dispute or disagreement arising out of or in relation to this Agreement.

**10.0 GENERAL**

**10.1** Words and expressions which are used in this Agreement, but which are not defined herein shall, unless the context otherwise requires, have the same meaning as assigned thereto in the Rules of the CSE, SEC and other applicable laws of Sri Lanka.

**10.2** The terms and conditions contained in this Agreement shall be subject to the applicable Rules, Regulations, Guidelines and Directions issued by SEC, Rules and Circulars of the CSE and other applicable laws of Sri Lanka.

**10.3** In the event of any contradiction between the terms and conditions hereof and the applicable Rules, Regulations, Guidelines and Directions issued by SEC, Rules and Circulars of the CSE or other applicable laws of Sri Lanka, the applicable Rules, Regulations, Guidelines and Directions issued by SEC, Rules and Circulars of the CSE or other applicable laws of Sri Lanka (as applicable) shall prevail.

IN WITNESS WHEREOF the Parties to the Agreement have set their respective hands hereto and to one (01) other of the same tenor and date as herein above mentioned.

.....

**Signature of the Client**

**Witness:**

1.

2.

.....

**Authorized Signatory of NDB Securities (Private) Limited**

**Witness:**

1.

2.

**SCHEDULE 1**

**DECLARATION – Risk Disclosure Statement**

I, .....<Full name of the authorized person in block letters>, an employee of NDB Securities (Pvt) Ltd ('Stockbroker Firm') and a Registered Investment Advisor, who is duly authorized by the Board of Directors of the Stockbroker Firm to make declarations on its behalf hereby confirm that the following risks involved in investing/trading in securities listed on the Colombo Stock Exchange ('Risk Disclosure Statements') were clearly explained by me to.....<Name/s of the Client> ('the Client') and invited the Client to read the below mentioned Risk Disclosure Statements, ask questions and take independent advice if the Client wishes to:

- a) The prices of securities fluctuate, sometimes drastically and the price of a security may depreciate in value and may even become valueless.
- b) It is possible that losses may be incurred rather than profits made as a result of transacting in securities.
- c) It is advisable to invest funds that are not required in the short term to reduce the risk of investing.

Signed on behalf of the Stockbroker Firm by .....<Name of the Registered Investment Advisor>:

Signature	_____
Name	_____
Designation	_____
Date	_____
NIC No.	_____

**SCHEDULE 2**

**ACKNOWLEDGEMENT**

I, (1) .....<Name> [bearing National Identity Card No./Company registration No .....] of .....<Address> agree and acknowledge that the following risks involved in investing/trading in securities listed on the Colombo Stock Exchange ('Risk Disclosure Statements') were explained to me by .....<Name>, an employee of NDB Securities (Private) Limited ('Stockbroker Firm'), and I was invited to read the below mentioned Risk Disclosure Statements, ask questions and seek independent advice if I so wish.

Additionally, I acknowledge that I understood the following Risk Disclosure Statements;

- a) The prices of securities fluctuate, sometimes drastically and the price of a security may depreciate in value and may even become valueless.
- b) It is possible that losses may be incurred rather than profits made as a result of transacting in securities.
- c) It is advisable to invest funds that are not required in the short term to reduce the risk of investing.

.....

Signature of the Client

Date:

