

Do's and Dont's for Investors in Securities Markets

1. Introduction

This document serves as a guide to help investors make informed decisions and adopt best practices while investing in securities markets. The Securities and Exchange Board of India (SEBI) mandates these guidelines to protect investor interests and ensure market integrity.

2. Do's for Investors

2.1 General Precautions:

- ✓ Ensure that your stockbroker, sub-broker, investment advisor, or portfolio manager is registered with SEBI and stock exchanges.
- ✓ Read all documents carefully before signing and keep a copy for future reference.
- ✓ Always provide complete and accurate Know Your Customer (KYC) details as per SEBI norms.
- ✓ Regularly update your contact details, including email and mobile number, with your broker and depository participant (DP).
- ✓ Periodically check your trading account statements, contract notes, and demat account holdings.
- ✓ Keep records of all transactions, receipts, contract notes, and correspondence with your broker.

2.2 Before Trading or Investing:

- ✓ Assess your risk appetite and invest accordingly.
- ✓ Understand the product, its risks, and suitability for your investment goals before investing.
- ✓ Read the Rights and Obligations document, Risk Disclosure Document, and other regulatory disclosures before opening a trading account.
- ✓ Verify stockbrokers' credentials and their SEBI registration number from the SEBI website (<https://www.sebi.gov.in/>).
- ✓ Use stock exchanges' investor protection and grievance redressal mechanisms for dispute resolution.
- ✓ Ensure that the broker provides a Unique Client Code (UCC) and maps it correctly for all transactions.
- ✓ Opt for two-factor authentication (2FA) for online trading accounts to enhance security.

2.3 While Trading or Investing:

- ✓ Trade only through recognized stock exchanges and avoid dealing in unregistered securities or illegal schemes.
- ✓ Confirm trades through contract notes issued by the broker within 24 hours of execution.
- ✓ Regularly reconcile balances in your trading and demat accounts with contract notes and statements.
- ✓ Use exchange-approved payment methods when transferring funds to brokers.

- ✓ Check the Securities Transaction Tax (STT) and other statutory charges levied on transactions.
- ✓ Ensure that you receive payouts within the stipulated time frame.
- ✓ Verify periodic statements from the broker and DP, and report discrepancies immediately.

2.4 Risk Management and Compliance:

- ✓ Diversify your investments across different asset classes to mitigate risk.
- ✓ Follow SEBI guidelines and stock exchange circulars for margin trading and derivatives trading.
- ✓ Report fraudulent or suspicious activities to SEBI or the relevant stock exchange.
- ✓ Participate in investor education programs conducted by SEBI and stock exchanges.
- ✓ Use stop-loss strategies in trading to limit potential losses.

3. Don'ts for Investors

3.1 General Precautions:

- ✗ Do not deal with unregistered entities or unauthorized investment advisors.
- ✗ Do not sign blank or incomplete documents when opening a trading or demat account.
- ✗ Do not rely solely on market rumors, tips, or unsolicited advice for investment decisions.
- ✗ Do not share your trading account credentials, passwords, or OTPs with anyone.
- ✗ Do not deal in securities based on SMS, WhatsApp, or social media stock tips.
- ✗ Do not respond to investment schemes that promise guaranteed returns.
- ✗ Do not invest in unregulated chit funds, Ponzi schemes, or multi-level marketing (MLM) schemes.

3.2 While Trading or Investing:

- ✗ Do not trade in illiquid stocks or securities with low market depth without adequate research.
- ✗ Do not engage in excessive leverage or margin trading beyond your financial capacity.
- ✗ Do not participate in price manipulation or circular trading activities.
- ✗ Do not execute trades under someone else's instructions without due diligence.
- ✗ Do not mix personal funds with trading account funds for non-trading purposes.
- ✗ Do not provide false information or attempt to manipulate financial records.

3.3 Risk Management and Compliance:

- ✗ Do not ignore contract notes, margin calls, or account statements from brokers.
- ✗ Do not invest in complex derivative instruments without fully understanding their risks.
- ✗ Do not ignore investor grievance redressal mechanisms provided by stock exchanges and SEBI.



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- ✗ Do not delay reporting unauthorized transactions or discrepancies in account statements.
- ✗ Do not panic during market corrections; always make informed investment decisions.
- ✗ Do not attempt insider trading or trade based on unpublished price-sensitive information.

4. Investor Grievance Redressal Mechanism

- ✓ If you have complaints against a stockbroker, DP, or any other intermediary, first escalate the matter internally.
- ✓ If unresolved, lodge a complaint with the stock exchange or SEBI through the SCORES platform (<https://scores.gov.in/>).
- ✓ SEBI also provides arbitration and conciliation mechanisms for investor disputes.
- ✓ Investors may approach the Securities Appellate Tribunal (SAT) if they are dissatisfied with the grievance redressal outcome.

5. Conclusion

By adhering to these Do's and Don'ts, investors can protect themselves from market fraud, manage risk effectively, and invest responsibly in the securities market. Staying informed and exercising due diligence is crucial for long-term success in stock market investments.