

INTERNET TRADING / ONLINE TRADING

1 What is online trading in securities?

Online trading in securities refers to the facility of investor being able to place his own orders using the internet trading platform offered by the trading member viz., the broker. The orders so placed by the investor using internet would be routed through the trading member.

2 How can one start trading online?

To start with, investor needs to identify a trading member who offers internet trading facility and register with the trading member for availing the internet trading facility.

3 How to choose an online stock broker?

Many of the big and medium sized trading members offer internet trading facility. Investor can get the details of trading members of the Exchange on the website www.nseindia.com. Identify brokers offering internet trading facility; check their references from persons having knowledge about financial markets and select a broker who has good reputation and capability to deliver all the services that are expected by the investor. Particular attention should be paid by the investor to the availability of support in case of technical problems while choosing the broker.

4 Who could use online trading?

Usually, a person familiar in using computer, conversant with the use of internet and who is able to tackle routine problems associated with use of personal computers may opt for online trading.

5 Are there additional documents to be executed for registering as internet customer?

As per SEBI and Exchange stipulations, in addition to execution of regular KYC documents, the investor would have to execute a specific Member- client agreement for internet trading which broadly spells out the rights and obligations of trading member and Investor besides alerting on system related risk, confidentiality of user id and password.

Further, Member and investor may also agree amongst themselves in execution of other documents like Power of Attorney for DP operations, Opening of DP and bank account etc.,

6 What documents are received usually after registration as an online trading client?

On registering as online trading client with the trading member, normally investor receives a welcome kit containing the user-id and password allotted to the client.

7 What precautions an online investor must take on starting online trading?

Investor has to take care that:

1. The Default password provided by the broker is changed before placing of order. Ensure that password is not shared with others. Change password at periodic interval.
2. He has understood the manner in which the online trading software has to be operated.
3. He has received adequate training on usage of software
4. The system has facility for order and trade confirmation after placing the orders

8 What should investor know about failure of system that is being used for placing orders?

Every online trading client should understand that there could be a possibility of failure of system which could include failure at various points including net work failure, connectivity failure etc.

Generally, the trading members have alternate ways of servicing the investors in the eventuality of such failures. In order to mitigate risks arising from such failures, investor before starting trading should understand from the trading member about ways and means of dealing with such failures, steps that investor needs to take for knowing his position, closing the position etc.

9 What are the other safety measures online client must observe?

1. Avoid placing order from the shared PC's / through cyber cafés.
2. Log out after having finished trading to avoid misuse.
3. Ensure that one does not click on "remember me" option while signing on from non-regular location.
4. Do not leave the terminal unattended while one is "signed-on" to the trading system.
5. Protect your personal computer against viruses by placing firewall and an anti-virus solution.
6. You should not open email attachments from people you do not know.

10 How can one investor make sure that his access to trading is continuously available?

In the course of his dealing, investor should always make sure that sufficient funds and securities are available in his account with the trading member and that he is regular in payment of margins so as to avoid blocking of account by the trading member. Where due to shortage of margin or funds not paid, the account is blocked and positions are squared off or securities are sold by the trading member, investor may get the details of such square-up, sales from the trading member.

11. Where online trades are being done is there any documents that I need to receive from the trading member for the trades executed?

For every trade that takes place on the Exchange, the trading member needs to issue contract note within 24 hours from the date of execution of the trade. Generally, internet based investors opt for Digital contract notes. Hence, at the time of client registration investor should provide an email id which is regularly used. In case investor wishes to receive physical contract notes, he may specify so in the client registration document and cut off the email id column.

Investor needs to regularly check the contract notes and if any variation in the trades is found needs to take up the issue with the trading member immediately.

Besides the Contract Notes, trading member needs to issue quarterly statement of funds and securities to the investor and such statement can be digitally issued if investor has opted for digital document.