

Internal Control Policy with respect to Broking

1. Client Due Diligence:

In opening Client Accounts, we apply the usual client due diligence measures prescribed under KYC norms i.e. understanding the ownership and control structure of the client etc. The format in which we conduct the client due diligence is part of our KYC form. We do not entertain walk-in clients and prefer clients known to us through some known contacts. The due diligence measures on a risk sensitive basis is a part of client onboarding and is periodically reviewed.

2. Beneficial Owner Identification

Verification of the client's identity is done using reliable, independent source documents, data or information. Identifying beneficial ownership and control, i.e. determining which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted through obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted.

It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement. *Explanation:* Controlling ownership interest means ownership of/entitlement to:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals or

exercised through voting rights, agreement, arrangements or in any other manner.

It is not necessary to identify and verify the identity of any the client if it is listed company. In case the client is a Trust the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership. For Company's foreign clientele due diligence may be guided by the clarifications issued vide SEBI circulars CIR/MIRSD/11/2012 dated September 5, 2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013, for the purpose of identification of beneficial ownership of the client.

The compliance of the aforementioned provisions on identification of beneficial ownership shall be monitored by the Board of Directors of the Company.

3. Assessment of financial capability of client:

We take from clients networth/financial standing details which has to be supported by one of the following documents:

(a) Copy of ITR acknowledgement. (b) Copy of Annual Returns. (c) Copy of Form No. 16: In case of salary income. (d) Networth certificate from a Chartered Accountant. (e) Salary slip duly stamped, signed by employer. (f) Bank Account Statement for last six months. (g) Copy of Demat Account holding statement. (h) Any other document substantiating ownership of assets.

4. Process of record keeping and retrieval of client registration documents

All client registration documents, once checked, found complete and verified as such and the accounts opened, are securely stored.

5. Updation of client financial and other client particulars

Regular due diligence and scrutiny of the client accounts throughout the course of the business relationship to ensure that the transactions are conducted with the knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds. Periodically updation of all documents, data or information of all clients and beneficial owners are to be collected under the due diligence process. We send to all our clients on an annual basis:

- (a) Client Detail
- (b) Self-declaration for financial status asking them to confirm details in client-master and update the financial particulars. It is an annual exercise of updation of client particulars.

6. Client Master Modification:

On an annual basis, there is a regular updation happening. However, in between, if the client wants to modify any details, he/she/it is enabled to do so by filling up a Client Master Modification Form and submitting to us the documentary proof of modified detail.

7. Systems and Process adopted for UCC upload

From our back-end, we generate file for the client containing data of market segment, client code, client name, PAN, address in the format prescribed by NSE. The data generated are thereafter verified with KYC. On the data being found fully correct, the client detail is uploaded on UCC – site of NSE. After uploading, we run a check, on the UCC-site, by entering the specific client, whether or not the client details are actually uploaded on UCC-site. The KYC details of the clients are dealt with in the manner prescribed in the “KYC Registration Agency (KRA) System by the intermediaries” mandated by SEBI.

Further w.e.f. August 2016 the company is maintaining /uploading/downloading records under the “Central KYC Registry” (CKYCR).

8. Process of client code closure

First the client has to give a request for closure of the account. On receipt of such request, the account is checked for any outstanding balance either debit or credit. If it is a debit balance, the client is asked to clear it. In case of a credit balance, the same is paid to the client. Similarly, a check is carried out in the back office to ascertain :

(i) the securities lying with us as margin or pending pay-out to the client.

(ii) whether the client has any outstanding position in F&O segment (NSE), outstanding pay-in position of securities or a pay-out from Exchanges in pipeline. In case of any outstanding position, we either let the client pay the same, (if it is an owing) or wait

for the transaction to come to a close so that we can crystallize either the client's liability for pay-in or our liability to settle the securities due to the client.

(iii) Whether any notice issued to the client is pending reply and any liability arises to the company or client as a result of client's action / inaction for which the notice has been issued. Once the client is cleared for closure, the client's account is closed.

9. Precaution with respect to dormant accounts

All dormant accounts (inactive for six months and more) are treated as inactive and no transactions are allowed. However, a client can re-activate his/her/its dormant account by giving us in writing a request to activate the account. Once an active becomes dormant immediate steps shall be taken for transfer of all assets of the client, such as credit balances, holding of securities or assets in any other form, to the client.

10. Risk Management Policy:

All outstanding debit balances of Rs. 50,000 or more are monitored on a daily basis. No such debit is allowed to remain in books beyond five days. After five days, effective measures are taken for recovery of dues from the clients. In case of smaller debit balances, regular follow up is done with the clients for recovery of dues. Pay-in funds and securities must be completed by the close of the working hours on the day next to the trading. However, securities can be paid in maximum by 9:30 AM on the (T+2) day, that is on the second day from the trading day. If not, they go for auction and the auction loss has to be borne by the client. Clients are given the cheques for their dues on the very day the pay-out is received from the Stock Exchange.

However, clients maintaining their account on a running basis do not take their pay-out on a transaction-to –transaction basis. Whenever, they want the pay-out, they inform us and the credit balance (which has become due – a credit balance for which the exchange pay-out is not received is considered not due) is released to the client.

11. Internal Shortage

The policy and procedure for settlement of shortages in obligations arising out of internal netting of trades is as under:

- a) The short delivering client's account is debited by an amount equivalent to 20% above of closing rate of day prior to Pay-in / Pay-out Day. The securities delivered short are purchased from market on T+2 day and the purchase consideration (inclusive of all statutory taxes & levies) is debited to the short delivering seller client along with reversal entry of provisionally amount debited earlier.
- b) If securities cannot be purchased from market due to any force majeure condition, the short delivering seller's accounts is debited at the closing rate on T+3 day or Auction day on Exchange +10% where the delivery is matched partially or fully at the Exchange Clearing, the delivery and debits/ credits shall be as per Exchange Debits and Credits.
- c) In cases of securities having corporate actions all cases of short delivery of cum transactions which cannot be auctioned on cum basis or where the cum basis auctioned on cum basis or where the cum basis auction payout is after the book closure/record date, would be compulsory closed out at higher of 10% above the official closing price on the auction day or the highest traded price from first trading day of the settlement till the auction day.

12. Policy for transfer of trades

We have a strict policy with respect to client code change. Inadvertent errors are inevitable. We permit client change after thorough scrutiny after fully satisfying ourselves the genuineness of the request.

13. Investor Redressal Mechanism

All complaints received through letter, e-mail and personal representation (we urge upon client to put it in writing and give it to us) are duly recorded by us and measures taken for their redressal.
