Internal Control Policy

Following points have been considered while preparing & implementing internal control policy :-

Customer due Diligence/KYC Standards

New customer acceptance procedures, inter alia, could include processes

a) To ascertain customers' need before opening account like kind and volume of transaction and to confirm the identification of client.

b) To ensure compliance required by Stock Exchanges viz. BSE / NSE / CDSL and SEBI and to adhere the guidelines of Stock Exchanges / DP / SEBI.

c) To ensure verification of Contact details e.g. Address & Telephone No. provided by Client by way of calling or sending in person for verification. Also to verify such documents with original.

d) To establish the identity of person who beneficially own or control the trading account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by entity other than the client.

e) To verify PAN with original as well as to check the details from the website to ensure the genuine ness of PAN details.

f) To verify in Person to the Client by our own Staff and to put name & signature by staff in KYC who has verified Client in person.

g) To verify all original documents before opening or accepting documents for opening account.

h) To ask and ascertain the financial capability of client before the commencement of trading.

i) To ask and verify whether there is any criminal or civil case is pending against client or to ascertain the background of client. Also to verify such details from the various websites in this regard. Also to verify whether the client has ever been banned, debarred of expelled from Stock Market.

j)   Ascertain the risk which may rise while introducing / opening trading account.

k)   To ascertain whether any additional information is required from client base on personal interview or from documents provided for opening trading account.

l)   To know the motive of client behind opening of trading account with us and the nature of transactions the client wishes to carry.

m)   To check whether at any point of time he has been banned from trading in the stock market.

n)   Reluctance on the part of the client to provide necessary information or cooperate in verification process could generate a red flag for the member for additional monitoring.

o)   Clear processes for introduction of clients by members' employees.

p)   Risk based KYC procedures should be adopted for all new clients.

q)   The information obtained through the above mentioned measures should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary in compliance with the Guidelines.

r)   Factors of risk perception (in terms of monitoring suspicious transactions) of the client to be clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters should enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of KYC profile.

s)   To submit the documents to KRA Registration Authority for their registration and confirmation

t)   To monitor the activity of KRA whether Client has registered else to remove discrepancy, if any, noticed by KRA.

u) If Client fails to provide document/record as asked by KRA, to deactivate Client from dealing on BSE/NSE.

For existing clients processes includes

a) Review of KYC details of all the existing active clients in context to the PMLA 2002 requirements.

b) Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc for closer monitoring of high risk categories etc.

c) Obtaining of annual financial statements from all clients, particularly those in high-risk categories.

d) In case of non individuals additional information about the directors, partners, dominant promoters, major shareholders to be obtained.

Risk based approach:

To classify both the new and existing clients into high, medium or low risk category depending on parameters such as the customer's background, type of business relationship, transactions etc. This measure is to apply for each of the customers' due diligence measures on a risk sensitive basis and to adopt an enhanced customer due diligence process for high-risk categories of customers and vice-á-versa.

Categorization of Clients of special category (CSC) for Risk Management

a) Such clients include the following

b) Non resident clients

c) High net worth clients,

d) Trust, Charities, NGOs and organizations receiving donations

e) Companies having close family shareholdings or beneficial ownership

f) Politically exposed persons (PEP) of foreign origin

g) Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)

h) Companies offering foreign exchange offerings

i) Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.

j) Non face to face clients

k) Clients with dubious reputation as per public information available etc.

Monitoring & Reporting of Suspicious Transactions:

To monitor transactions carried out by Clients on day-to-day basis in order to ascertain abnormal transactions, transactions in particular scrip and instances of movement of funds and securities. These reports get generated base on the clients' profile, nature of business and trading pattern of clients for identifying and detecting such transactions. The senior official of the Company is analyzing these reports on day-to-day basis.

Following parameters have been taken into consideration while monitoring and reporting of suspicious transactions :-

Large numbers of accounts having common parameters such as common partners / directors / promoters / address / email address / telephone numbers / introducers or authorized signatories;

I. Transactions with no apparent economic or business rationale

II. Sudden activity in dormant accounts;

III. Source of funds are doubtful or inconsistency in payment pattern;

IV. Unusual and large cash deposits made by an individual or business;

V. Transfer of investment proceeds to apparently unrelated third parties;

VI. Multiple transactions of value just below the threshold limit specified in PMLA so as to avoid possible reporting;

VII. Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items.;

VIII. Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;

IX. Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;

X. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;

XI. Purchases made on own account transferred to a third party through off market transactions through DP Accounts;

XII. Suspicious off market transactions;

XIII. Large deals at prices away from the market.

XIV. Accounts used as 'pass through'. Where no transfer of ownership of securities or trading is occurring in the account and the account is being used only for funds transfers/layering purposes.

XV. Trading activity in accounts of high-risk clients based on their profile, business pattern and industry segment.

Reporting of Suspicious Transactions:

Processes for alert generation, examination and reporting includes -

➢ Audit trail for all alerts generated till they are reported to FIU / closed

➢ Clear enunciation of responsibilities at each stage of process from generation, examination, recording and reporting

- ➤ Escalation through the organization to the principal officer designated for PMLA

- ➤ Confidentiality of STRs filed

- ➤ Retention of records

To examine the reports which have been provided by BSE on E-Boss Surveillance System

- ➤ To monitor reports uploaded on E-Boss surveillance system.

- ➤ To examine such report/s and to take further action based on input provided by BSE.

- ➤ To take action against client if clients' trading activity found to be improper or not according to the Regulation of SEBI/Stock Exchanges including suspension of client from trading on terminals.

- ➤ To reply in the E-Boss system if the same is required to do so.

Internal procedure & conduct for prevention of Insider Trading

- ➤ To check the background of Client like the details of work-place, details of Organization with whom the client is working etc.
- ➤ To obtain the area of operations of the Client.

- ➤ Not to allow client to carry trade in the scrip if the same is relating to the job profile of Client.

- ➤ To confirm with client that the nature of trade the client is willing to carry is not related to price sensitive information or part of future plan of the Company.

- ➤ To inform Stock Exchange, if something is found related to insider trading.

Area of Operations

Dealing

1. Dealer has to identify the client either in person or over phone while client/s is/are requesting us to place order/s into the system.

2. Dealer has to identify the nature of trade and volume while carrying trades on behalf of clients.

3. Confirmation of trades online and reconfirmation at the end of the market session and ensure the genuine ness of transaction.

4. Request Client to settle obligation by way of delivering securities or remittance of funds against the settlement obligation of client.

Risk Management

1. To ensure whether the client is financially capable while putting orders in system on behalf of client.

2. To ensure that there is no previous financial or securities obligations against trades done by client.

3. To ensure that the fund has/have been remitted against the margin requirement of client. In case of shortfall of margin, we are asking client to provide details of cheque to ensure that client is fulfilling margin requirement.

4. The Ageing Report is being prepared by department at the end of every trading day in order to reconcile the margin requirement. Part of this report is being emailed to subsequent Sub-broker / Remisier to ensure himself that there should be no shortfall in clients' account which may cause of stopping further trades.

Operations

1. To ensure that the trades have been uploaded for the day for all the clients.

2. To ensure that the contract notes have been prepared and dispatched to the respective clients within the time frame.

3. To ensure that the clients have transferred securities in order to meet the securities obligations of Stock Exchange. In case there is short delivery, we are asking client/sub-broker/Remisier to arrange for transfer of securities in

Pool Account to avoid auction or loss to client. The process is done over phone on trading day after 5.00 P.M. or later.

4.	To ensure that securities lying in margin or client beneficiary account have been transferred to Pool account as against Securities Settlement Obligation.

5.	To prepare or generate file for direct pay-out to clients.

6.	To ensure that Custodian trades have been confirmed and digital contract note has been sent to client through STP.

7.	To prepare various reports as per customer need and send them through email / courier / dispatch boy.

8.	To open trading account for new clients after verification of KYC forms and all details have been duly filled-up.

9.	To ensure UCC upload for new clients.

Accounts

1.	To follow-up with clients as against financial obligations for trades carried out by clients. We are asking for written request from Sub-broker for releasing payments to clients (If the Client has bought/willing to buy shares against credit available in their account). In case of Direct Client, we are confirming to client before making payments over phone in most of the cases.

2.	In case of Client Debit, we are asking client either in person (if client is in the office or sub-brokers' office) or over phone to clear their dues either by way of cheque payment or by selling shares. In case client is not responding properly or is tolerating, the RM department blocks the limit of said client in case of Direct Client or the respective Sub-broker/Remisier does the same in case of Client through Sub-broker or Remisier.

3.	To prepare Cheques against Pay-out of Clients as per settlement obligation.

4.	To verify receipts from clients and ensure that the Cheques have been credited in Bank Account.

5.	To reconcile Bank Account.

6. To see that all arrangements have been made to transfer funds against Settlement of Fund obligation.

7. To make payment to Stock Exchange/s as against Bills raised by them in term of Turnover Fees, Penalties, Membership Fees or such other charges.

8. To generate various reports as per clients needs and to mail / courier / dispatch through delivery boy.

9. To make other payments towards expenses on behalf of the Company.

Compliance

Although the area of Operations of Compliance is wide spread, though few of them have been identified as under :-

1. To look after the requirements of Stock Exchange/s and SEBI and the implement the same in day to day affairs of the Company.

2. To ensure that proper display of Board is there at the Registered/Branch Office.

3. To ensure that the required documents have been received, verified and singed before uploading UCC and insure that Client has been activated only after successful upload of UCC.

4. To ensure that required margin has been received from wherever applicable and in case of non-receipt of margin, whether system has been set to disallow client not to carry further trade till margin is being received.

5. To ensure that Contract Notes have been dispatched within prescribed time and also whether the format is as per the Contract Act Regulation, in case of duplicate contract note requirement, whether written permission has been obtained from client.

6. In case of Pay-in/Pay-out of Securities & Fund, the same have been done within the prescribed time frame. Further, benefit of Corporate Action like, Dividend, Bonus, Rights have been passed to clients' account immediately.

7. In case of dispute between client & broker/Sub-broker, the department analyzes the case and tries the resolve the issue without the interruption of Stock Exchange or SEBI or other competent authorities.

8. In case of changes/modifications in the regulations, to see whether the same have been implemented in the system or not.

9. To submit required to reports to Stock Exchanges regularly on or before due date.

10. To ensure that Insurance Policy has been taken before due date; the Fund & Securities Statement has been dispatched to client before due date and proper record has been kept for sending such reports.

IT Department

1. To ensure that the trading system is working perfectly and client/sub-broker is not facing any sort of connectivity or software problem.

2. To implement different IT policies of the Company in working environment.

3. To ensure proper back-up has been taken at the end of the day and said back-up has been stored in safe place like Fire Proof Almirah or the place other than the office place. Further to ensure that the said back is available at the time of requirement.

4. To ensure that parallel system is available in case of failing regular system or machine of software to ensure un-interrupted services to client/sub-broker.

5. To keep proper record of Computer Software and Hardware as well as to keep the same in safe place with proper identification/marking.

6. To implement security policy of the Company and not to allow any un-authorize person to enter in the IT room and further to keep record of person entering and exiting from the Server/IT room.

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