

INTERNAL CONTROL PROCEDURES WITH RESPECT TO VARIOUS AREAS:

1. Registration of Clients:

- Persons are added as clients only after they have had a meeting with the / employee of the company.
- The Application forms for opening an account are issued only when the management is satisfied with the client's financial capacity to trade in stock market and after the prospective client provides the valid reference for his account.
- Know your client form duly complying with the mandatory requirements specified by the SEBI & Exchange are processed further along with KYC Form, RDD, Rights & Obligation, Do's and Don'ts, Supporting documents, proof of bank account, etc are collected from all the clients. The forms are accepted only after they have been duly filed by the client.
- The company has the policy of approval of all application forms by the Director of the company before allowing trading to applicant.
- The details are entered in the back office software by the maker of the document. Further a senior person acts like a checker to see that the details have been properly entered in the back office software to avoid any issue in future.
- Walk in clients are not entertained and only clients through reference are enrolled.
- The client registration modalities are carried out in house and not outsourced.
- The documents are stored at the office and filed properly for easy retrieval whenever required.
- The clients only through reference are entertained. The financial capability of the client is also assessed from various parameters. 2 years balance sheet is taken from corporate clients.
- The financial capability of the client is assessed on the basis of discussion / disclosure / income tax document like ITR return or Income tax order.
- With reference to updation of client's financial information, the client are requested in the register of funds statement sent on quarterly basis to provide the details. Client have also been sent draft letter for providing the feedback.
- With reference to the other particulars of the client information, the same is checked on the basis of cheque received for bank information, demat receipts for demat account and return of posts for check of addresses. Additionally the clients are given reminders in the quarterly statements to provide update on the changes, if any.
- We have proper maker checker concept to avoid misuse of information provided in the KYC.
- Any change in address, e-mail id, contact details, etc is entertained on proper written request.

- The duly executed client registration documents are sent to clients by courier alongwith the welcome letter or the documents are handed manually to the client.
- The UCC is uploaded by the back office personnel. The Compliance Officer or manager of the Client Registration carries out this activity before any trades are input on behalf of the client.
- We don't have any separate marketing division and no norms are specified for the same.
- The clients are informed about the risk associated in equity / derivatives / securities trading at the time of their registration.
- We don't offer any type of freebies like free demat a/c, etc. to our clients.

2. Sales Practices followed by the Trading Member:

- The company does not have any separate sales / marketing department. The company is very particular about the client being registered and hence clients coming through reference or financial standing are only registered.
- The company does not have any marketing division and has not launched any promotional schemes for registration / enrollment of clients.
- The clients are appraised about the risk disclosure document and make them aware of the contents regarding the risk associated with the securities market.
- The company does not offer any freebies to the clients. All the services provided are charged as per the agreed terms.

3. Closure of client accounts and dormant accounts.

- As a company policy, clients account once opened are not closed, although the client may not trade at all over a long period of time.
- With reference to accounts which have been not traded for more than twelve months, wish to trade at any future date then, at the time they want to input an order, an enquiry is made about their non trading in the share market. Only on receipt of a satisfactory reply, then further actions for execution of transaction are carried out.
- In case of clients who have not traded for more than two years, the time they call up execution of any trade then enquiry is made about their non activeness in the share market. Additionally, their updated financial information is also enquired & called for. Only after they have given the updated financials and after the directors feel comfortable for their trading, only then further actions for execution of transaction are carried out.

4. Order Receipt and Execution:

- The Organization setup is small and all the clients are personally known to management, their financial position is known and the dealer is aware of the risk appetite of the each and every client which helps in better control.
- The company has restricted the access to the dealing office only to the authorized persons who are dealers of the company. The company has put an electronic access control system.
- The approved clients are informed of the dealers who would be responsible for receiving, validating and entering the orders on behalf of them.
- The orders are received over phone, via e-mail, through, personal instructions when they are in the office.

- To give better & personal service to the clients they are divided group wise among the dealers so that particular dealer can serve a particular group of clients which helps dealer to understand client investment strategy in a better way & serve them accordingly. The concerned dealers have access of back office system in which the clients balance positions are updated daily and on the basis of the same the exposure is determined by the dealer. In cases exceeding the normal trading pattern, the dealer contacts the front office head to decide on the trade.
- On execution of valid order into trade, dealers confirm the trade with the client so as to avoid any future dispute.
- At the end of the trading hours, the dealer informs the clients about the execution of the orders placed by the clients.
- After market hours, back office team informs the client about their executed trades for the day and also about their obligation towards Pay-in & Pay-out of funds & securities for the particular day.
- Internet trading facility is not provided to the clients.

5. Sending Contract Notes, Daily Margin statement, Quarterly Statement of Accounts to clients:

- The organization sends contract notes and daily margin statements within 24 hours of execution of the trade (ie. Within 1 day) by courier / hand delivery to the clients.
- The activity of sending contract notes, daily margin statement and quarterly statement of accounts to clients has not been outsourced to any person.
- The documents sent by courier the proof of dispatch (POD) is maintained and in case of hand delivery, acknowledged copies are maintained.
- Duplicate copies are maintained.

6. Collection of pay in, margin, limits setting for exposures & turnover for clients, terminals, branches & sub-broker level:

- Margin from client may be collected in the form of cash or security.
- In case of large order upfront margin should be collected from clients.
- If client gives big order, which have some risk in the opinion of Management, then upfront margin should be collected from client.
- The Limit setting of the terminals is decided on the basis of the funds margin and securities value given to the member

7. Monitoring of debit balances:

Member has maintaining Bill to Bill account of the all clients.

8. Allotment, Surrender of trading terminals:

Take complete details of procedure adopted. The same should include at least following:

- In case any terminal gets surrendered then the client would be mapped to the head office for further trading and in case if the client specifies any particular location from where he want to trade then the client is mapped to that terminal.
- The terminals are installed / activated only after complying with the regulatory requirement of informing Exchange and uploading of the details of the authorized user.
- The member controls and the auditors during their visit check that only authorized trading software is used.

9. Opening & Closing of branches / sub-broker offices:

Not Applicable as Member has no branches / sub-broker offices.

10. Payment, Receipt of funds from / to clients:

- Some of the clients have given consent to the company to maintain running accounts on their behalf to avoid trouble of receiving / paying funds on daily basis.
- The company collects and releases funds through banking channels i.e. Account Payee Cheques & Demand Drafts only.
- The accounts department keeps proper co-ordination with DP team regarding Pay-in of shares by clients and then releases the Pay-out cheques to the client. In case of shortage of shares, the amount is released as per the decision of director to give part money or not.
- Company releases payments of the clients either by hand delivery to the authorized persons intimated by the clients or by courier to the client's address. In some cases cheques are directly deposited into client's account.
- The collections of funds from clients are also transacted in above manner; cheques are sometimes directly deposited by the clients.

11. Receipt, Delivery of Securities from / to clients:

- The company has received authority from clients to maintain shares on their behalf to avoid trouble of receiving / giving shares on daily basis. Proper record for securities received / given to the clients is maintained.
- The company receives the deliveries of securities from the clients in the pool accounts intimated to the clients.
- For delivery of securities company has activated auto payout facility in clients demat account, for which daily report is been sent to the Clearing House / Clearing Corporation.
- The company also reconciles its pool, principle and client beneficiary account on a daily basis.
- The company has subscribed for easi facility to monitor online the activities of pool and other accounts.

12. Square off of positions / Liquidation of securities without consent of clients:

- The organization does not have a system of squaring off the position of a client or Liquidation of securities without the consent of the client. The organization tries to have extra margin so that client positions are not forced to be squared off. Clients are priory informed about the margin requirement and as the clients normally give the margin or square off their position on their own. Clients are warned / informed that their position may be squared off in case of shortfall of margin / pay-in default for the shares bought in the cash market. The clients are contacted and informed about the margin requirement over phone by the company staff.
- The organization has CMS facility for collecting cheques at all parts of the country. In case of shortfall, the clients are informed to deposit the cheques in the bank account or securities are told to be transferred to the client margin account. The client is given sufficient time to act on the margin shortfall.
- Margin calls being made on phone, no record are maintained for the same.

13. Policy for internal shortage;

- The internal shortage if any existing within the organization is informed to the exchange so that proper auction of the same can be done by the exchange and the journals / bills / debit notes for the same are debited to the client in whose account the shortfall has occurred.
- In case if an auction is not made by the exchange then both the clients are appraised of the situation and in case of the client in whose account the internal shortage has occurred, the buying transaction is done in the exchange and when after 2 days the shares are received from the exchange, the shares are delivered to the old buying clients who could not receive the shares due to internal shortage.

14. Transfer of trades:

Refer Investor Transfer of trades Policy in details.

15. Investor Redressal Mechanism:

Refer Investor Redressal Mechanism Policy in details.

16. PMLA:

Refer PMLA Policy in details.

17. Power of Attorney:

Not Applicable as Members has not taken POA from the clients.

Systems

- For Front office operations the company has provided with the power backup to all dealing terminals so as to compensate for power supply interruption. The front office has connectivity to exchange via leased lines.
- For Back office operations, company takes daily backup into hard disk of a separate system. Apart from internal backup company also takes monthly external backup on hard disk and keeps copy of it in a remote place (Director's residence) for safety custody.
- The backups are regularly tested to see their usability in case of any disaster.

---XXX---