

## **INTERNAL CONTROL POLICY WITH RESPECT TO BROKING OPERATIONS**

### **(1) Client Due Diligence:**

We apply the usual client due diligence measures prescribed under KYC norms. The format in which we conduct the client due diligence is part of our KYC form.

### **(2) Assessment of financial capability of client:**

We take from clients a self-declaration, which states their total net-worth in terms of their net assets and liabilities. Such self declaration has to be mandatorily 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) Net-worth 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.

### **(3) 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 stored in safe vaults in a sequential manner.

### **(4) Updation of client financial and other client particulars:**

We have now started on an annual basis the process of sending out,

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

### **(5) 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.

### **(6) Systems and Process adopted for UCC upload:**

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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 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.

### **(7) Process of client code closure:**

First the client has to give a request for closure in the prescribed format accompanied with a photocopy of PAN card with signature. 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 settlement department 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 NSE F&O segment or outstanding pay-in position of securities or a payout from Exchanges in pipeline. In case of any outstanding position, we either let the client pay off 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, and intimation is sent in the format of a letter.

### **(8) Precaution with respect to dormant accounts:**

All dormant accounts (inactive for twelve months and more) are made inactive in our system. Hence it is not possible to execute a transaction in dormant accounts. However, a client can re-activate his/her/its dormant account by giving us in writing in prescribed format to activate the account and also stating the reason for keeping the account dormant.

### **(9) Risk Management Policy:**

Pay-in is due the day next to the trade. The clients is given an exposure limit equivalent to the sum of credit balance in client's ledger account and the value of client's collaterals lying with us, after applying the hair-cut percentage prescribed by SEBI from time to time. Such exposure limit is monitored on-line as the clients is trading and any short-fall or deficit in margin with respect to any order/orders of the client shall have to be made up on an instantaneous basis by the client, if the input order is to be allowed by us into the trading cloud. In case of a client having an open position and his available margin (in terms of ledger credit and collaterals) being consumed towards the margin requirement of the existing open position, such client shall not be allowed to take any further position either in Cash Market or F & O Segment. Not only that the said client will not be allowed to take any further position in the market, but also we shall have the right to square up such existing position of the client in case of the value of open position

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over-shooting the client's available margin with us. All debit balances are monitored on a daily basis.

Pay-in funds and securities must be complete by the close of the working hours on the day next to the trading. However, securities can be paid in maximum by 10.30 AM on the (T+2) in day i.e., 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 customer.

The local clients give us their cheques at the Head office. To cater to remote clients we are giving our bank details to get direct credit into our client bank account. The client sends us an e-mail (at ashishvaid\_fo@yahoo.in) comprising the cheque number, photocopy of RTGS/NEFT form given by client to their banker. The clients also send us through courier or hand delivery of above documents. However, we give credit to the client's ledger accounts once we receive the e-mail intimation from the client. The Bank reconciliation of the client bank accounts (with Kotak Mahindra Bank and Oriental Bank of Commerce) happen on a daily basis. In case any credit is not reflected in the bank account in two days, the credit in client ledger is reversed. If the cheque is found to be dishonored, we levy a penalty on the client to the extent of bank charges. 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 same is released to the client.

### **(10) Policy for transfer of trades:**

Generally, we will not allow any transfer trade. This right is available only with the proprietor under highly restricted circumstance with prior approval.

We entertain requests from Clients for client code change on a very conservative basis. However, in certain cases which we are convinced are genuine mistakes of data-punching error, we do make the client code change. In cases, mistake happens while punching on terminal, we maintain writing log.

However, where there are such successive requests for client code change from the same terminal operator, it is our policy investigate and take necessary action. However, there has never been an occasion for us to test that policy.

We have a strict policy with respect to client code change. Inadvertent errors are inevitable. Where a client code change has been allegedly done for margin – arbitrage, who has made the client code change request is levied a penalty.

### **(11) Investor Redressal Mechanism:**

It is not our policy to record complaints received through telephone call. However, 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.

All the complaints received in proper form will be placed before the compliance officer who will then investigate and decide upon the matter within 30 days time and will inform the Exchange and the Client in writing of the action taken.

**(12) Policy of Limit setting in case of new terminals:**

As of now we have decided that not to enroll any sub-brokers and not to open any branches and allotment of new terminals.

**(13) System in place to generate alerts for suspicious transaction:**

Alerts are based on following factors:

- (a) Sudden disproportionate increase in client's trading.
- (b) A client trading beyond declared financial capacity.
- (c) Introducing third party cheques in settlement of pay-in dues.
- (d) Making off-market transfers to the same demat account(s) immediately after receiving securities in payout.
- (e) Introducing Demand Drafts in settlement of payin dues.
- (f) Any other act that arouses suspicion.

If a client is always indulging in one or all of the above in an ongoing manner, we put him/her/it under special watch.