

## SOME POLICIES & PROCEDURES

### 1. Refusal of order for penny stocks:

Clients may note that all the stock and securities listed on the Stock Exchange are not actively traded. In other words, there are no readily available sellers or buyers in some securities and / or there are not sufficient trades or volumes from which the market price may be arrived at with some reliability. Such stock are called "illiquid securities" or "Penny stocks". They are comparatively more vulnerable to market manipulation / price rigging. The spread, i.e., the difference between the offer price and bid price is usually wide and their purchase or sale at a given time may be difficult and in any case uncertain. Exchanges bring out monthly list of such securities based on the volume during the last calendar month.

The Stock Broker does not encourage trading in penny stocks and trade is not allowed in illiquid securities. In exceptional cases, before allowing a trade in illiquid securities or less liquid securities, the Stock Broker may make further enquiry, in case of instructions for sale, into the nature and duration of holding and in case of purchase instructions, into the client's trading experience, knowledge about the risks in penny stock, risk appetite and proportion of such stocks to total investment, etc.. This may cause time gap between placing an order and its execution. The clients will have to bear that risk of delay in execution or rejection in respect of illiquid securities. Client's instructions for trading in illiquid securities may be rejected without assigning any reason.

### 2. Setting up Client's Exposure Limit:

The Exchange may from time to time fix client exposure limits in the interest of orderly working of the markets. Within that overall ceiling, a client can trade within the exposure limit set from time to time by the Broker for the client. Exposure Limit is fixed on the basis of the funds and value after hair cut of the securities provided by the client for margin. Clients are requested to adhere to the exposure limits as crossing the limit may involve either a call for margin or restriction on further position / exposure. The Stock Broker may need to vary or reduce or impose new limits urgently on the basis of risk perception, risk profile of the client and other factors considered relevant including but not limited to limits on account of exchange / SEBI directions / limits (such as broker level /

market level limits in security specific / volume specific exposures etc.). Sometimes the Stock Broker may be unable to inform the client of such variation, reduction or imposition in advance. The Stock Broker shall not be held responsible for such variation, reduction or imposition or the client's inability to route any order through trading system on account of any such variation, reduction or imposition of limits. In the sole discretion of the Stock Broker, a client may be allowed to trade beyond exposure limit or the limit may be increased. A client having availed such indulgence shall not be heard to complain about his trades only on this account and shall meet the margin shortfall at the earliest without waiting for reminder. The golden rule is Limit your exposure so as to limit your risk to your means.

**3. Applicable brokerage rate:**

The stock broker is entitled to charge brokerage within the limits imposed by exchange which at present is as under:

**a. For Cash Market Segment:**

The maximum brokerage chargeable in relation to trades effected in the securities admitted to dealings on the Capital Market Segment of the Exchange shall be 2.5% of the contract price exclusive of statutory levies. It is hereby further clarified that where the sale / purchase value of a share is Rs. 10/- or less, a maximum brokerage of 25 paise per share may be collected.

**b. For Option contracts:**

Brokerage for option contracts shall be charged on the premium amount at which the option contract was bought or sold and not on the strike price of the option contract. It is hereby clarified that brokerage charged on options contracts shall not exceed 2.5% of the premium amount or Rs. 100/- (per lot) whichever is higher.

**4. Delay Payment Charges and Penalties:**

Clients are required and expected to meet their fund obligations immediately, when due, as per SEBI / Exchange requirements and not make the Stock Broker use his funds to meet their fund obligation. For the

clients who do not pay on time, broker has to pay or the broker has to suffer penalties by the Exchange. So as to be compensated, the Stock Broker may levy Delay Payment Charges on the amounts, not exceeding the debit balance in the ledger, for the period of delay. The present rate of Delay payment charges is 18% per annum calculated on daily basis for the period of delay.

Credit Balance (Funds / Shares) lying with the Stock Broker will not attract any interest.-

The Stock Broker may impose reasonable penalties for bouncing of cheques, bad deliveries, non-delivery, auction, on non-payment of margin money on any trades, actions or omissions contrary to the Rules, Regulations and Byelaws of the SEBI or Exchange, to discourage such violations and recover the same from the client's Account directly.

Where the Company has to pay or suffer any penalty from any authority as a consequence of / in relation to / in connection with any orders / instructions / trades / deals or actions of a client, the same shall be borne by the client.

**5. Right of Sale of client's securities or closing the client's open position without giving notice:**

The Stock Broker maintains specific banking and depository accounts, informed to the clients from time to time, for handling clients' funds and securities. The clients shall ensure timely availability of funds / securities in required form and manner, within stipulated time and in the designated bank and depository account(s) for meeting their liabilities and obtaining proper credit thereof. The Stock Broker does not undertake responsibility for any delay or other consequences arising from payment to any other account or non receipt in time and manner in the designated account(s).

The Stock Broker does not believe in selling clients' securities or closing out their positions without sufficient notice to them. On the other hand, the Stock Broker expects esteemed clients to be regular and punctual in meeting their fund obligations. The requirement of margin and the value of any given security as margin varies with market volatility.

**e.g** – if the market goes down by 10%, not only an additional margin would be required equal to this 10%, but further margin would also be



required to meet the erosion of value of the securities forming the margin. Higher is the margin deficit, shorter would be the time to make it up. However, in case the available margin falls below the given percentage, say 80%, informed in advance, the Stock Broker reserves the right to sell a client's securities or to close out his all or some open positions to prevent escalation of risk.

The Stock Broker would have the discretion to square off the position of Client's where the margin or security placed by the Client falls short of the requirement of where the limits given to the Client have been breached or where the Client has defaulted on his existing obligation within the stipulated time.

The client may, however, have no grievance if the Stock Broker does not take such action and waits for the client's margin / response.

**6. Shortages in obligations (arising out of internal netting of trades or otherwise):**

Where a client fails to meet his securities pay-in obligations as due for any settlement and auction is not made by the Exchange because of reasons like internal netting of trades, the client's account is debited for such short delivery at "valuation price or the average of auction rate", whichever is higher. The buyer client shall be credited with the same amount as debited to seller client. In case, no auction price is available in a particular instance, the above mentioned debit / credit shall take place at closing price on the auction day plus 10% and trading day to auction day high price whichever is higher. If the buyer-client requires delivery of the said shares, he is advised to buy the same next day from the market on his own.

Where a client buys securities in one settlement, and sells the same in subsequent settlement, without having received the payout of the securities, any resulting auction / losses will be the sole responsibility of the client.

**7. Conditions under which a client may not be allowed to take further position or his existing position may be closed:**

Subject to client's KYC verification and his meeting initial margin and other margin requirements, a client may take positions. However, he may



not be allowed to take further position under any of the following circumstances:

- a. SEBI or Exchange imposing restrictions on further exposures in cases of extreme volatility in the market or in a security or group of securities.
- b. Client or the Broker exceeding or touching exposure limits set by the Exchange in the particular scrip.
- c. Reasonable doubt as to bonafide of the transaction or identity of the client in the light of the financial status and objectives as disclosed in the KYC form.
- d. Reasonable doubt as to the transaction being cross trade, circular trade, fraudulent practice or connected with price manipulation or market rigging.
- e. SEBI or other competent authority issuing a debarment order against the client from buying, selling or dealing in securities, unless the order is vacated.

**8. Temporary Suspension or Closing of Account at Client's Request:**

The client may, at times, like to suspend his account for some time due to reasons like-illness, holidaying or pilgrimage. The Stock Broker will act on the instruction to suspend the transactions in an account on receipt of a written request by the client. However, the client will be responsible for all his positions till that time and shall make arrangements for due discharge of his obligations in respect of such transactions and account maintenance charges.

A suspended account may be made active by another instruction in writing by the client.

The client, subject to his meeting all obligations regarding pending positions, may seek closure of his account by a letter in writing duly signed by him. Such request shall be effective from the time it has been noted in Stock Broker's computer system and the client shall be liable to meet all his obligations.

The request for suspension, re-activation or closure of account should be made by the client and not by his Power of Attorney Holder (POA).

The Stock Broker may also withhold any payouts of client or suspend his trading account due to any surveillance action or judicial / regulatory direction.

**9. De-registering a client:**

The Stock Broker may de-register a client in any of the following events:

- a. Death of a client who is a natural person;
- b. Liquidation or winding up of a client who is a corporate, Dissolution of Partnership if client is partnership firm;
- c. Insolvency or bankruptcy of the client;
- d. The client being debarred from dealing in securities by an order of SEBI, other Regulatory Authority or court;
- e. The client is convicted of fraud or other offence in relation to securities and the said conviction is not stayed by that authority or court or superior thereto.
- f. The account being inactive has not been got reactivated within two years of inactivation.

De-registering of a client will not absolve him from his obligations for transactions at the time of de-registration.

**10. Policy for Inactive Accounts:**

Inactive accounts are more vulnerable to fraud or manipulation and the clients are advised to be careful not to allow their accounts to be inactive. An inactive account is one in which there is no operation during the last six calendar months. Such accounts may be marked as "inactive" in the Back Office without any request by the client. No operation shall be permitted in an inactive account except collection of dividend on securities and debiting of charges, if any.

An inactive account may be activated only on request of the client (Not of a POA). Before activating, the Stock Broker may like to re-verify the client's particulars as an abundant caution.

If a request for re-activation is not received within two years of its being noted as "inactive", the Stock Broker may deregister it, after informing the

client at his last known address by the available means, i.e., telephone, post, e-mail and return the available balance, if any, to the person(s) entitled to it.

**Client's Acceptance of Policies and Procedures stated hereinabove:**

I/We (client) have fully understood the same and do hereby sign the same and agree not to call into question the validity, enforceability and applicability of any provision / clauses of this document under any circumstances what soever.

These Policies and Procedures shall always be read along with the agreement and shall be compulsorily referred to while deciding any dispute / difference or claim between me / us and the Stock Broker before any court of law / judicial / adjudicating authority including arbitrator / mediator etc.

18 Client's Signature

15 Client's Signature



## Policy on Limit Setting

We may impose and vary limits (including exposure limits, turnover limits, margin limits, securities wise limits in respect of which orders can be placed etc.) on the orders that the client can place through us. We may vary or reduce the limits or impose new limits on the basis of the risk perception and other factors considered relevant by us and not limited to the limits as per the Exchange / SEBI directions. We may subject any order placed by the client to review before its entry into the trading system and may refuse to execute/allow execution of any order due to but not limited to the reason of lack of Margin/securities or the order exceeding limits set by our surveillance/Exchange/SEBI and any other reason which may be deemed appropriate in the circumstances. The losses, if any, on account of such refusal or due to delay caused by such refusal or due to delay caused by such review shall be borne exclusively by the client.

We have margin based RMS System in which, total deposit (excluding over-concentration value of the securities) of the client is uploaded in the trading system and the client may take exposure on the basis of applicable margin for the intended security as per the VAR based margining system of the Stock Exchange and margin defined by the company on their scrip wise Risk perception. Client may take the benefit of "credit for sale" i.e., benefit of shares held in margin by selling the same by selecting delivery option through order entry window in the trading system, whereby the value of the shares sold will be added with the value of deposit and on the basis of aggregate, client may take exposure. In case of exposure taken on the basis of shares margin, the payment is required to be made before the pay-in date otherwise it will be liable to square off any time due to shortage of margin. Further, in the derivative segments, if some special margin is imposed by exchange, the same must be met on the same day before closing of trading otherwise position of the client will be liable to square off due to shortage of margin.

In the sole discretion of the Company, a client may be allowed to trade beyond exposure limit or the limit may be increased. A client having availed such indulgence shall not be heard to complain about his trades only on this account and shall meet the margin shortfall at the earliest without waiting for reminder. The golden rule is Limit your exposure so as to limit your risk to your means.

# CODE OF CONDUCT

## **Introduction**

This Code of Conduct covers a wide range of business practices and procedures. It sets out basic principles to guide all associated persons. It is supplemented by our Policies, Guidelines and Procedures, which, collectively, provide a framework for prudent decision-making.

All associated persons must conduct themselves in accordance with this Code and work to avoid even the appearance of improper behavior. In this respect, our tradition is that we will engage in no activities that would be embarrassing to us if it were published on the front page of the Newspaper.

If a law conflicts with a policy in this Code, one must comply with the law. If one has any questions about these conflicts, one should ask his supervisor/director how to handle the situation.

### **1. Compliance with Laws, Rules and Regulations**

Obedying the law, both in letter and in spirit, is the foundation on which this Co's ethical standards are built. All must respect and obey the laws of the cities, states and countries in which we operate. Although not all are expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel. The Co. holds information and training sessions to promote compliance with laws, rules and regulations, including insider trading laws.

### **2. Conflicts of Interest**

A "conflict of interest" exists when a person's personal interest interferes in any way with the interests of the client. A conflict situation can arise when an associated person takes actions or has interests that may make it difficult to perform Co. work objectively and effectively eg. If a doctor is related to a chemist or has close connections with a pharma company, one can imagine what kind of advice he will give.

2.1) All associated persons shall:-

- i. at all times maintain high standards of integrity, promptitude, fairness, due skill care & diligent in the conduct of their business.
- ii. ensure fair treatment of all clients and not discriminate amongst them. Be polite, courteous & sweet to clients.
- iii. ensure that their personal interest does not, at any time conflict with their duty to their clients and client's interest always takes primacy in their advice, investment decisions and transactions.
- iv. make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services.
- v. endeavor to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department/unit to another, etc.:

- vi. take prior approval from director on transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict;
- vii. not deal in securities while in possession of material non published information;
- viii. not to communicate the material non published information while dealing in securities on behalf of others;
- ix. not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;
- x. not encourage sale of products not suiting the risk profile of their clients;
- xi. not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest;

2.2) Conflicts of interest also may arise when

- (a) An associated person receives personal benefits from third parties as a result of his or her position in the Co. For example, loans or guarantees of obligations of loans to associated persons and their family members may create conflicts of interest.
- (b) It is almost always a conflict of interest for a associated person to work simultaneously for a competitor, customer or supplier. No one is not allowed to work for a competitor as a consultant or board member.
- (c) Any associated person who wishes to perform consulting services of any kind must inform and obtain prior approval from the directors. In no event may an associated person perform consulting services for a competitor. Additionally, outside consulting is viewed as a conflict of interest for salaried associated person who are expected to devote their professional efforts solely to the Co. The best policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on our behalf.
- (d) Acceptance of gifts in a business relationship can also result in a conflict of interest. No gift or entertainment should ever be accepted by any associated person, directly or indirectly through a family member or agent unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff and (5) does not violate any laws or regulations. Please discuss with your supervisor any gifts or proposed gifts that you are not certain are appropriate. Any gift received that is valued in excess of Rs.1000 must be politely & firmly refused.

Conflicts of interest are prohibited as a matter of Co. policy. Conflicts of interest may not always be clear-cut, so if anyone has a question, he should consult with higher levels of management. Any associated person, officer or business partner who becomes aware of a conflict or potential conflict, should bring it to attention of a supervisor, manager or other appropriate personnel.

### 3. Inside Trading



Associated persons who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except in conduct of our business. All non-public information about the Co. should be considered confidential information. To use non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal. If one has any questions, please consult the Co's Director.

#### **4. Corporate Opportunities**

Associated persons are prohibited from taking personal gain through the use of Co's property. No associated person may use Co's property, information or position for improper personal gain, and no associated person may compete with the Co, directly or indirectly. All associated persons owe a duty to the Co. to advance its legitimate interests when the opportunity to do so arises.

#### **5. Competition and Fair Dealing**

We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. Each associated person should endeavor to respect the rights of and deal fairly with the firm's customers, suppliers, competitors and employees. No associated person should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

To maintain the Co.'s valuable reputation, compliance with our quality processes and safety requirements is essential. In the context of ethics, quality requires that our products and services be designed and produced to meet our obligations to customers. All inspection and testing documents must be handled in accordance with all applicable regulations.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships. No gift or entertainment should ever be offered, given, or provided by any Co. associated person, directly or indirectly through a family member of an employee or agent unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff and (5) does not violate any laws or regulations.

#### **6. Payments to Government Personnel**

The Legal Framework prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country.

In addition, the Indian government has a number of laws and regulations regarding business gratuities that may be accepted by Indian government personnel. The promise, offer or delivery to an official or employee of the Indian government of a gift, favor or other gratuity in violation of these rules would not only violate Co. policy but could also be a criminal offense. State and local governments as well as foreign governments, may have similar rules. The Co's Compliance officer can provide guidance in this area.

#### **7. Record-Keeping**

Honest and accurate recording and reporting of information is required of all associated person. Records should always be retained or destroyed according to the Co's record retention policies. In accordance with

those policies, in the event of litigation or governmental investigation please immediately consult the Co's director.

All of the firm's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the firm's transactions and must conform both to applicable legal requirements and to the firm's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained.

Business records and communications often become public, and we should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that can be misunderstood. This applies equally to e-mail, internal memos and formal reports.

## **8. Confidentiality**

Associated persons must maintain the confidentiality of confidential information entrusted to them by the Co. or its customers, except when disclosure is required by laws or regulations. Confidential information includes all nonpublic information that might be of use to competitors, or harmful to the Co. or its customers, if disclosed. It also includes information that suppliers and customers have entrusted to us. The obligation to preserve confidential information continues even after employment ends.

## **9. Protection and Proper Use of firm Assets**

All associated persons should protect the firm's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Co's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. Co. equipment should not be used for non-Co. business.

The obligation of associated persons to protect the firm's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks and copyrights, as well as business, marketing and distribution plans, engineering ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Co. policy. It also could be illegal and result in civil or even criminal penalties.

## **10. Statements to the Public**

No public statements may be made as a representative of the Co. without prior authorization from the Director.

Any associated person who wishes to speak at a public event or submit an article for a publication in a trade magazine or other publication must obtain prior approval from the Directors. While we recognize, and support one's right to engage in legal activities while one is not working, we also must be careful to (1) avoid the associated person's position being mistaken for the position of the Co, (2) avoid an interpretation that the Co. in any way endorses the associated person's position, and (3) avoid a violation of any other policies of the Co, including those related to conflict of interest and confidentiality of Co. property and information.

### **i. Dress Code**

All male & female associated persons should be dressed in a manner so as not to disturb decency & decorum of office environment. All should desist from overexposure of body.

## 12. Reporting any Illegal or Unethical Behavior (Whistle Blower)

We all must work to ensure prompt and consistent action against violations of this Code. One must report ethical violations in confidence and without fear of retaliation to directors. The Co. does not permit retaliation of any kind against associated persons for good faith reports of ethical violations. Full protection is allowed to whistle blowers/witnesses.

### Notes:-

As per SEBI (CERTIFICATION OF ASSOCIATED PERSONS IN THE SECURITIES MARKETS) Regulations 2007

Associated person means a principal or employee of an intermediary or an agent or distributor or other natural person engaged in the securities business and includes an employee of a foreign institutional investor or a foreign venture capital investor working in India.

Principal means persons who are actively engaged in the management of the intermediary's securities business including supervision, solicitation, conduct of business, and includes.

- (1) Sole Proprietors
- (2) Managing Partners and
- (3) Whole Time Directors

Agent means any person who is engaged in the activity of sale or distribution of securities on behalf of an issuer or a distributor for a commission or any other consideration.



## **Sub: Internal guidelines for prevention of money laundering**

Objective of this note is to lay down internal guidelines for prevention of money laundering in order to implement the directives issued by Ministry of Finance, FMC, MCX, NCDEX etc.

### **1.0 Appointment of principal Officer.**

Principal Officer has been appointed under the Provisions of Money Laundering Act. As required information has been sent to the Director, FIU, M.O.F.

1.1 Any change in Principal Officer is to be intimated to them immediately.

### **2.0 Verification of client (Responsibility- Client Registration dept.)**

- 2.1 Identity of client, current address including permanent address, nature of business and financial status of the client at the time of opening of account or executing any transaction should be verified. This should be done at the earliest, if not possible, at the time of opening of account and or at the time of executing transaction.
- 2.2 Name of reference/introducer should be compulsorily mentioned in the Client Registration Form.
- 2.3 KYC Form should be complete. No column should be left blank. Due diligence of all client is a must.
- 2.4 Financial information of the client should be updated on annual basis continuously. In the case of non individual client copy of annual balance sheet should be obtained. In the case of individual client, copy of income tax return (top sheet, duly acknowledged by I.T. dept) should be obtained.
- 2.5 Records of client registration should be maintained for a period of 10 year even after termination of relationship with the client.

### **3.0 Monitoring Trading Activity (Responsibility – Trading Dept.)**

- 3.1 Trading activity of the client should be in proportion with the financial standing disclosed/updated in the KYC Form.
- 3.2 Unusual activity/trading pattern should be pointed out.
- 3.3 For identifying benami/Fictitious trading account, identify of person giving order should be monitored. Normally, the client himself/herself should give order or maximum his/her spouse or employees.

4.0 **Payments to and from the clients ( Responsibility – Accounts Dept.)**

- 4.1 No cash payment should be received or paid irrespective of size of the amount.
- 4.2 Cheques issued to the clients should bear their bank a/c numbers.
- 4.3 Cheques from the clients should be received from the same bank a/c which is disclosed in the KYC Form.
- 4.4 Payment exceeding Rs.5 lac in a day should be seen with an eagle eye.

All O.J Soldiers should be vigilant for identifying any money laundering activities. Any casual informal remarks made by any client or his/her employee should be under scanner. Suspicious transactions in the nature of unusual, unjustified, complex should be pointed out. Any information given by any staff member about any client shall be kept confidential.

## Anti Money laundering policy

The Government of India has serious concerns over money laundering activities which are not only illegal but anti-national as well. As a market participant, it is evident that strict and vigilant tracking of all transactions of suspicious nature is required

Accordingly, the company has laid down following policy guidelines:-

### **Principal Officer:**

The Principal Officer has been appointed. He will be responsible for implementation of internal controls & procedures for identifying and reporting any transaction or activity to the concerned authorities.

### **Internal Policies, Procedures and Controls:**

Company has adopted written procedures to implement the anti money laundering provisions as envisaged under the Anti money laundering Act, 2002. Such procedures should include inter alia, the following three specific parameters which are related to the overall 'Client Due Diligence Process':

- a. Policy for acceptance of clients
- b. Procedure for identifying the clients
- c. Transaction monitoring and reporting especially Suspicious Transaction Reporting (STR).

### **Customer Due Diligence**

5.1 The Customer due diligence ("CDD") measures comprise the following:



- (a) Obtaining sufficient information in order to identify persons who beneficially own or control securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should be identified using client identification and verification procedures. The 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.
- (b) Verify the customer's identity using reliable, independent source documents, data or information;
- (c) Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the customer and/or the person on whose behalf a transaction is being conducted;
- (d) Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c); and
- (e) Conduct ongoing due diligence and scrutiny, i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the customer, its business and risk profile, taking into account, where necessary, the customer's source of funds.

## 5.2 Policy for acceptance of clients:

5.2.1 Company develops customer acceptance policies and procedures that aim to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing. By establishing such policies and procedures, we will be in a better position to apply customer due diligence on a risk sensitive basis depending on the type of customer business relationship or transaction. In a nutshell, the following safeguards are to be followed while accepting the clients:

- a) No account is opened in a fictitious / benami name or an anonymous basis.
- b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are 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 will 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.
- c) Documentation requirement and other information to be collected in respect of different classes of clients depending on perceived risk and having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.
- d) Ensure that an account is not opened where the The back office and trading staff is unable to apply appropriate clients due diligence measures/KYC policies. This may be applicable in cases where it is

not possible to ascertain the identity of the client, information provided to the The back office and trading staff is suspected to be non genuine, perceived no co-operation of the client in providing full and complete information. The back office and trading staff should not continue to do business with such a person and file a suspicious activity report. It should also evaluate whether there is suspicious trading in determining whether to freeze or close the account. The back Office and trading staff should be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, The Back Office trading staff should consult the relevant authorities in determining what action it should take when it suspects suspicious trading.

- e) The circumstances under which the client is permitted to act on behalf of another person / entity should be clearly laid down. It should be specified in what manner the account should be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity / value and other appropriate details. Further the rights and responsibilities of both the persons (i.e. the agent client registered with the company, as well as the person on whose behalf the agent is acting should be clearly laid down). Adequate verification of a person's authority to act on behalf the customer should also be carried out.
- f) Necessary checks and balance to be put into place before opening an account so as t ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.

### 5.3 Risk-based Approach



5.3.1 It is generally recognized that certain customers may be of a higher or lower risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. As such, the back office and trading staff should apply each of the customer due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the back office and trading staff should adopt an enhanced customer due diligence process for higher risk categories of customers. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of customers. In line with the risk-based approach, the type and amount of identification information and documents that the back office and trading staff should obtain necessarily depend on the risk category of a particular customer.

#### 5.4 Clients of special category (CSC):

Such clients include the following-

- a. Non resident clients
- b. High networth clients,
- c. Trust, Charities, NGO and organizations receiving donations
- d. Companies having close family shareholdings or beneficial ownership
- e. Politically exposed persons (PEP) of foreign origin
- f. 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)

- g. companies offering foreign exchange offering
  
- h. client 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.
  
- i. Non face to face clients.
  
- j. Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and the back office and trading staff should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

#### **5.5 Client Identification Procedure:**

- The KYC / client identification procedures have been specified and strengthened by FMC from time to time.

- All The Back office and trading staff should put in place necessary procedures to determine whether their existing / potential customer is a politically exposed person (PEP). Such procedures would include seeking additional informational from clients, accessing publicly available information etc.
  
- All The back Office and trading staff are required to obtain senior management approval for establishing business relationship with Politically Exposed Persons where a customer has been subsequently become a PEP, The Back Office and trading staff Shall obtain Senior management approval to continue the business relationship.
  
- The back office and trading staff shall take reasonable measures to verify source of funds of clients identified as PEP.
  
- The client should be identified by the back office and trading staff by using reliable sources including documents / information. The back office and trading staff should obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
  
- The information 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. Each original document should be seen prior to acceptance of a copy.
  
- Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority within the intermediary.



- It may be noted that while risk based approach may be adopted at the time of establishing business relationship with a client , no exemption from obtaining the minimum information / documents from client as provided in the PMLA Rules is available to broker in respect of any class of investors with regard to the verification of the record of the identity of clients.

## 6. Record Keeping

- 6.1 The back office and trading staff should ensure compliance with the record keeping requirements contained in <sup>PML</sup> Act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye – laws and Circulars.
- 6.2 The back office and trading staff should maintain such records as are sufficient to permit reconstruction of individual transaction ( including the amounts and type of currencies involved, if any ) so as to provide, if necessary, evidence for prosecution of criminal behavior.
- 6.3 Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, back office and trading

staff should retain the following information for the accounts of their customers in order to maintain a satisfactory audit trail:

- (a) The beneficial owner of the account;
- (b) The volume of the funds flowing through the account; and
- (c) For selected transactions:
  - The origin of the funds;
  - The form in which the funds were offered or withdrawn, e.g. cash, cheques, etc.;
  - The identity of the person undertaking the transaction;
  - The destination of the funds;
  - The form of instruction and authority

6.4 The back office and trading staff should ensure that all customer and transaction records and information are available on a timely basis to the competent investigating authorities. Where appropriate, they should consider retaining certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed that required under PMLA 2002, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

6.5 More specifically, The back office and trading staff shall put in place a system of maintaining proper record of transactions prescribed under

Rule 3, notified under the Prevention of Money Laundering Act (PMLA), 2002 as mentioned below:

- (i) All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- (ii) All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- (iii) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- (iv) All suspicious transactions whether or not made in cash and by way of s mentioned in the Rules.

#### 7. **Information to be maintained**

Company will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PMLA Rules:

- I. The nature of the transactions;
- II. The amount of the transaction and the currency in which it denominated;
- III. The date on which the transaction was conducted; and
- IV. The parties to the transaction.



## 8. Retention of Records

- 8.1 The back office and trading staff should take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PMLA Rules have to be maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and intermediary.
- 8.2 As stated in para 5.5, The back office and trading staff are required to formulate and implement the client identification program containing the requirements as laid down in Rule 9 and such other additional requirements that it considers appropriate. The records of the identity of clients have to be maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and intermediary.
- 8.3 Thus the following document terms should be observed:
- (a) All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period prescribed under the relevant Act (PMLA, 2002 and other legislations, Regulations or exchange bye-laws or circulars.
  - (b) Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the same period.

8.4 In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

## 9. **Monitoring of transactions**

9.1 Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. This is possible only if The back office and trading staff has an understanding of the normal activity of the client so that they can identify the deviant transactions / activities.

9.2 The back office and trading staff should pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. The back office and trading staff may specify internal threshold limits for each class of client accounts and pay special attention to the transaction which exceeds these limits.

9.3 The back office and trading staff should ensure a record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate law authority. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.

9.4 Further the compliance cell of the company randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.

## 10. **Suspicious Transaction Monitoring & Reporting**

10.1 The back office and trading staff should ensure to take appropriate steps to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, intermediaries should be guided by definition of suspicious transaction contained in PML Rules as amended from time to time.

10.2 A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:

- a) Clients whose identity verification seems difficult or clients appears not to cooperate;
- b) Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing / business activity;
- c) Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdiction;
- d) Substantial increases in business without apparent cause;
- e) Unusually large cash deposits made by an individual or business;
- f) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- g) Transfer of investment proceeds to apparently unrelated third parties;



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

10.3 Any suspicion transaction should be immediately notified to the Money Laundering Control Officer or any other designated officer within the intermediary. The notification may be done in the form of a detailed report with specific reference to the clients, transactions, and the nature / reason of suspicion. However, it should be ensured that there is continuity in dealing with the client as normal until told otherwise and the client should not be told of the report / suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.

10.4 It is likely that in some cases transactions are abandoned / aborted by customers on being asked to give some details or to provide documents. It is clarified that intermediaries should report all such attempted transactions in STRs, even if not completed by customers, irrespective of the amount of the transaction.

## 11. Reporting to Financial Intelligence Unit-India

11.1 In terms of the PMLA rules, intermediaries are required to report information relating to cash and suspicious transactions to the director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,  
Financial Intelligence Unit-India,  
6<sup>th</sup> Floor, Hotel Samrat,  
Chanakyapuri,  
New Delhi – 110021  
Website: <http://fiuindia.gov.in>

11.2. The back office and trading staff should carefully go through all the reporting requirements and formats enclosed with this circular. These requirements and formats are divided into two parts- Manual Formats and Electronic Formats. Details of these formats are given in the documents (Cash Transaction Report- version 1.0 and Suspicious Transactions Report version 1.0) which are also enclosed with this circular. These documents contain detailed guidelines on the compilation and manner / procedure of submission of the manual / electronic reports to FIU-IND. The related hardware and technical requirement for preparing reports in manual/ electronic format, the related data files and data structures thereof are also detailed in these documents if not in a position to immediately file electronic reports, may file manual reports to FIU-IND as per the formats prescribed. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, The back office and trading staff should adhere to the following:

- (a) The cash transaction report (CTR) (wherever applicable) for each month should be submitted to FIU-IND by 15<sup>th</sup> of the succeeding month.
- (b) The Suspicious Transaction Report (STR) should be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.
- (c) The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;

(d) Utmost confidentiality should be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed /-registered post / fax at the notified address.

(e) No nil reporting needs to be made to FIU-IND in case there are no cash / suspicious transactions to be reported.

11.3 The back office and trading staff should not put any restrictions on operations in the accounts where an STR has been made. The directors, officers and employees (permanent and temporary) should be prohibited from disclosing ("tipping off") the fact that a STR or related information is being reported or provided to the FIU-IND. Thus, it should be ensured that there is no tipping off to the client at any level.

## 12. **Designation of an officer for reporting of suspicious transactions**

12.1 To ensure that the The back office and trading staff properly discharge their legal obligations to reports suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transaction. Names, designation and addresses (including e-mail addresses) of 'Principal Officer' including any changes therein shall also be intimated to the 'Principal Officer' is of a sufficiently higher position and is able to discharge his functions with independence and authority.

## 13. **Employees' Hiring / employee's Training / Investor Education**

### 13.1 **Hiring of Employees**



The company will have adequate screening procedures in place to ensure high standards when hiring employees. They should identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business, and ensure the employees taking up such key positions are suitable and competent to perform their duties.

### **13.2 Employees' Training**

Company must have an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements should have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind these guidelines, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

### **13.3 Investors Education**

Implementation of AML/CFT measures requires The back office and trading staff to demand certain information from investors which may be of personal nature or which has hitherto never been called for. Such information can include documents evidencing source of funds / income tax returns / bank records etc. This can sometimes lead to raising of questions by the customer with regard to the motive and purpose of collecting such information. There is, therefore, a need for the back office and trading staff to sensitize their customers about these requirements as the ones emanating from AML and CFT framework. The back office and trading staff should prepare specific literature / pamphlets etc. so as to educate the customer of the objectives of the AML/CFT programme.

## 1. Client Registration

1.1 We are maintaining client registration document, duly filled in, in prescribed format from all the clients.

1.2 We do not entertain walk in clients.

1.3 We assess financial capability of the client by seeing his/her bank account, demat account, balance sheet, ITR and by asking introducer/referee. We try to collect maximum number of these documents

1.4 We do not outsource client registration modalities.

1.5 We file client registration documents in box files in serial order of UCC

1.6 We try to update client registration and other particulars (e.g. bank a/c, demat a/c, cell no. e-mail ids) on yearly basis.

1.7 To avoid misuse of unfilled areas, we do have checker concept. .

1.8 We try to update client particulars e.g. address, e mail id, contact details (cell number) on yearly basis.

1.9 In-person verification is done by officials of Client Registration Department.

1.10 We send or hand over copy of duly executed client registration documents and take acknowledgment which we keep with respective registration documents.

1.11 We entertain/welcome clients referred by our existing clients, neighbours, relatives/friends and do not entertain any unknown client. Every client has to first fill in the prescribed documents before start of trading.

1.12 UCC is uploaded by us through Exchange System.

1.13 We do not have any separate marketing division.

1.14 We have not launched any promotional scheme

1.15 We do make the client aware of the risk associated in the trading in Stock Exchanges.

1.16 No such freebies like free demat a/c are offered by us.



## **2. CLOSURE OF CLIENT ACCOUNTS/DORMANT ACCOUNT**

2.1 In case a client wants to close the account, we obtain a letter from the client and we remove his/her UCC from the trading terminal.

2.2 In case of dormant account (six month old) wants to trade, trading dealer requests the client to speak to the Director and trade is executed after clearance from the Director.

2.3 As we have no branch, there is no transfer of client from one Branch to another Branch.

2.4 In case of very old dormant a/c the, trading dealer requests the client to write to the Director and trade is executed after written approval of the Director.

## **3. ORDER RECEIPT AND EXECUTION**

3.1 We have telephone recording system for receipt of orders.

3.2 We have a system of trade confirmation under which the dealer verbally confirms his/her trade during trading hours and initials to this effect in the confirmation sheets printed after the trading is over. The trades not confirmed by dealers are confirmed by the Back Office on the same day before leaving office through telephones/SMS.

3.3 We do not exercise discretionary powers to execute client orders.

3.4 Clients are allocated on dealer-wise basis and the orders are received by respective dealers from respective clients through voice recognition. Id of telephone instrument also reflects incoming telephone number of respective clients. First order from New Client is taken by Director.

## **4. SENDING CONTRACT NOTES, DAILY MARGIN STATEMENT, QUARTERLY STATEMENT OF ACCOUNTS TO CLIENTS**

4.1 We have not outsourced dispatch of contract notes.

4.2 We dispatch contract notes through e-mail. We send daily margin statements and quarterly a/c statements also through e-mail.,

4.3 Contract notes are dispatched on daily basis within 24 hours.



Margin statement is sent the next day on daily basis.

Monthly a/c statement is sent within 7 days from the end of the month.

4.4 We maintain log book in computer for sending daily CN, margin statement and quarterly a/c statement.

4.5 We store copies of CN, daily margin statement and quarterly a/c statement in the computer.

4.6 We maintain Log for documents sent through e-mail.

4.7 Documents are e-mailed to the clients at the e-mail Ids furnished by them.

4.8 E-mail address of a client is changed only upon receipt of a written request from the client.

## 5. RISK MANAGEMENT

5.1 Margins and MTM amounts are collected on daily basis. Exposure limits of clients are set on basis of margin given by clients.

5.2 Debit balances are closely monitored by the collection department and by the Director.

5.3 Debit balances are monitored on daily basis.

5.4 We do have a system of periodic reconciliation.

5.5 We take all possible steps including legal action for recovery of old debts.

5.6 We do not charge any penal interest for overdue amount.

5.7 We have a system of daily payin and payout of funds and securities except where clients have given authorization for maintaining running a/c. Letters are given payout on quarterly/monthly basis and as per requisition of clients.

5.8 Payment, receipt of funds from/to clients are done on daily basis except where clients have given authorization for maintaining running a/c.

5.9 Square off of positions is done in exceptional cases where client fails to pay funds even after repeated calls.

5.10 Risk is managed through taking margins and keeping control on debit balances.

## **6. LIQUIDATION OF CLIENT POSITION**

6.1 The clients are informed in writing that his/her position would be squared off in case of margin/pay-in default. It is, inter alia, mentioned in 'Policies & procedures', a document signed at the time of client's registration.

6.2 Before square-offs, opportunities are given to the client to bring required margin through telephones.

6.3 Client authorization is taken at the time of client's registration to square off client position in case of margin/pay-in default

6.4 Records of margin calls are kept. Margin calls are personally monitored by the Director.

## **7. POLICY OF INTERNAL SHORTAGE**

## **8. TRANSFER OF TRADES**

8.1 Mechanism is in place to review transfer of trades and it is done only with the permission of the Director.

8.2 The Director finds out reasons for such transfer before giving his permission for transfer of trade.

8.3 Steps are taken to avoid such instances of errors by doing regular counseling of trading dealers.

## **9. INVESTOR REDRESSAL MECHANISM**

9.1 A register of complaints is maintained in our H.O. as we have no branch.

9.2 Clients were informed about the e-mail for redressal of investor grievances. This e-mail Id is printed on letterheads, contract notes and client registration form, visiting cards.

9.3 Investor complaints as per Exchge records are also recorded in the Register of complaints.

9.4 All the complaints, whether received through letters, telephones, personal representations, e-mails etc, are recorded in the Register of complaints.

9.5 The Director monitors the pending investor complaints and redressal.

9.6 The Director specially monitors redressal of long pending investor complaints.

9.7 There is a system for analysis of complaints, as and when received.

9.8 System is in place to get client feedback in writing on matters like receipt of contract notes, margin statement etc. on annual basis.

9.9 This point is not applicable to us as we have no branch

9.10 Transactions carried out in dormant accounts (6 months) are reconfirmed from the clients in order to verify authenticity of transactions.

9.11 We do not have any POA to operate client's bank account.

#### **10. ALLOTMENT /SURRENDER OF TRADING TERMINALS , OPENING & CLOSING OF BRANCHES**

10.1 Limits are set as and when new terminals are taken.

10.2 In case of surrender of terminals, clients are mapped to other terminals.

10.3 Information is submitted to the Exchange regarding allotment/surrender of trading terminals.

10.4 We ensure that software used at the member branch (we have no branch) and AP offices are from the approved vendors only.

10.5 We ensure that trading terminals are not used for unauthorized/illegal purposes.

#### **11. BRANCH /SUB-BROKER, AUDITS**



11.1 There is an internal audit system that commensurates with the nature, scope and size of our business operations. It is confirmed in Statutory Auditor's Report also.

11.2 Irregularities and recommendations/suggestions pointed out in Internal Audit Reports are placed before the Board.

11.3 Follow-up on implementation of recommendations/suggestions set out in the internal audit report is done on quarterly basis.

## 12. PMLA

12.1 All the important provisions of PMLA are included and implemented.

12.2 Policies and procedures of money laundering are reviewed regularly to ensure its effectiveness. The Director reviews the policies and procedures while the Board has framed the policy.

12.3 At the time of client registration, information is obtained who is a 'de facto' and 'de jure' beneficiary of the account.

12.4 We ascertain that no account is opened in fictitious/benami names by doing in-person verification and by comparing volume of transaction with the financial standing of the a/c holder.

12.5 Various documents are collected depending upon the perceived risk. More documents are collected in case of higher perceived risk e.g. Derivative clients. Documents include copy of ITR, balance sheet, bank a/c, demat a/c.

12.6 We ensure that no account is opened where the intermediary is unable to apply appropriate clients due diligence measures/KYC policies by not approving KYC as Director is only authorized to approve and sign KYC.

12.7 We ensure that no client with a criminal background or is banned in any other manner is enrolled as we take details of action, if any, taken against him/her by SEBI/Stock Exchange/any other authority for violation of security laws/other economic offences in KYC and we also verify it from banned list of SEBI.

12.8 More documents are collected from clients of special category. Documents include ITR, balance sheet, bank a/c, demat a/c.

12.9 Accounts Department generates alerts based on set parameters for suspicious transactions by screening quantum of payment.

12.10 Accounts Department reports the alerts to the Director who scrutinizes the alerts to arrive at suspicious transactions, if any.

12.11 After scrutiny, suspicious transactions are reported to FIU.

12.12 Staff members have been provided with all circulars regarding AML and CFT immediately. This matter is also discussed in the quarterly staff meetings.

12.13 Customers are informed about provisions of AML and CFT as it is in overall interest of all; otherwise all will face bad consequences later.

## RISK MANAGEMENT POLICY

The objective of this note is to lay down company's Risk Management Policy. By nature commodity Markets are risky. Greed and fear drive commodity market. Company's policy in this regard, is as under-

### 1.0 **Setting up Client's Exposure Limit:**

The Exchange may from time to time fix client exposure limits in the interest of orderly working of the markets. Within that overall ceiling, a client can trade within the exposure limit set from time to time by the broker for the client. Exposure limit is fixed on the basis of the funds and value after hair cut of the securities provided by the client for margin. Clients are requested to adhere to the exposure limits as crossing the limits may involve either a call for margin or restriction on further position / exposure. The Broker may need to vary or reduce or impose new limits urgently on the basis of risk perception, risk profile of the client and other factors considered relevant including but not limited to limits on account of exchange / directions / limits / (such as broker level / market / level limits in security specific / volume specific exposures etc). Sometimes the Broker may be unable to inform the client of such variation, reduction or imposition in advance. The Broker shall not be held responsible for such variation, reduction or the client's inability to route any order through trading system on account of any such variation, reduction or imposition of limits. In the sole discretion of the Broker, a client may be allowed to trade beyond exposure limit or the limit may be increased. A clients having availed such indulgence shall not be heard to complain about his trades only on this account and shall meet the margin shortfall at the earliest without waiting for reminder. The golden rule is limit your exposure so as to limit your risk to your means.

### 2.0 **Right of Sale of client's securities or closing the client's open position without giving notice:**

The Broker maintains specific banking and depository accounts informed to the clients from time to time, for handling clients' funds and securities. The clients shall ensure timely availability of funds / securities in required form and manner, within stipulated time and in the designated bank and depository account(s) for meeting their liabilities and obtaining proper credit thereof. The Broker does not undertake responsibility for any delay or other consequences arising from payment to any other account or non receipt in time and manner in the designated account(s).

The Broker does not believe in selling clients' securities or closing out their positions without sufficient notice to them. On the other hand, the broker expects esteemed clients to be regular and punctual in meeting their fund obligations. The requirement of margin and the value of any given security as margin varies with market volatility.

e.g. - If the market goes down by 10% not only an additional margin would be required equal to this 10% but further margin would also be required to meet the



erosion of value of the securities forming the margin. Higher is the margin deficit, shorter would be the time to make it up, However In the case the available margin falls below the given percentage, say 80 %, informed in advance, the Broker reserves the right to sell a client's securities or to close out his all or some open position to prevent escalation of risk.

The Broker would have the discretion to square off the position of Client's where the margin or security placed by the Client falls short of the requirement or where the limits given to the Client have breached or where the Client has defaulted on his existing obligation within the stipulated time.

The client may, however, have no grievance if the Broker does not take such action and waits for the client's margin / response.

3.0 Conditions under which a client may not be allowed to take further position or his existing position may be closed:—

Subject to client's KYC verification and his meeting initial margin and other margin requirements, a client may take position. However, he may not be allowed to take further position under any of the following circumstances:

- a. FMC or Exchange imposing restrictions on further exposures in cases of Extreme volatility in the market or in a commodity or group of commodities.
- b. Client or the Broker exceeding or touching exposure limits set by the Exchange in particular commodity.
- c. Reasonable doubt as to bonafide of the transaction or identity of the client in the light of the financial status and objectives as disclosed in the KYC form.
- c. Reasonable doubt as to the transaction being cross trade, circular trade, *wash trade*, Fraudulent practice or connected with price manipulation or market rigging.
- d. FMC or other competent authority issuing a department order against the client from buying, selling or dealing in commodities, unless the order is vacated.

Note: Above policy is subject to change without prior notice depending on instruction from authorities like FMC, MCX, NCDEX

## SURVEILLANCE POLICY

The Company's Board discussed surveillance policy in its Board meeting on 18/6/2013 and approved the following policy.

- 1.0 It was noted that Exchange has started sending transactional alerts in order to facilitate effective surveillance mechanism at Member's level. The Board appreciated this member-friendly practice.
- 2.0 This transactional alert may pertain to following activities:-
  - Significantly increase in client activity.
  - Sudden trading activity in dormant account.
  - Clients/Group of Client(s), deal in common commodity
  - Clients/Group of Client(s) is concentrated in a few commodities
  - Clients/Group of Client(s), dealing in minimum lot size.
  - Clients/Group of Client(s) concentration in a commodity.
  - Circular Trading
  - Pump and Dump
  - Wash Sales
  - Reversal of Trades
  - Front Running
  - Concentrated position in the Open Interest / High Turnover concentration
  - Order book spoofing i.e. large orders away from market rates.
  - Synchronized Trades.
  - Shifting of Trade from other broker.

Above list is only indicative and not exhaustive/comprehensive. Concerned Co officials (Dealers, Delivery Dept, Accounts Dept. etc) have to see any abnormal/suspicious/manipulative activities.

- 3.0 Surveillance process involves following initial steps:-
  - Due diligence at the time of opening account of new clients
  - Credentials of introducer must be seen carefully.
  - Clients having a/c with other brokers should be seen carefully.
  - Officials should try to find out discretely the reason for clients shifting their accounts from other brokers.
  - Names of clients should be verified from the ABC data of CPAI about payment record.
  - Identification of association/relation/group among different multiple, common, related accounts.

- Financial information of clients should be updated annually.

#### 4.0 Action Points after receipt/generation of Alerts.

- 4.1 After receiving alerts from the Exchange or on observing abnormal/suspicious/manipulative activities at own, matter should be taken up with the client/clients.
- 4.2 Clients should be asked to submit bank statement/demat statement.
- 4.3 Entries in those statements with the related party should be seen carefully. Off market demat transaction should be seen more carefully.
- 4.4 Movement of funds and shares during 21 days prior to dates of transaction should be seen carefully.
- 4.5 The Compliance Officer should record his observation after analyzing bank and demat statements of respective clients.
- 4.6 Compliance Officer should complete his analysis report within one month from the alert received from the Exchange/own observation.
- 4.7 In case of adverse report by Compliance Officer, the matter should be reported to the Exchange within 45 days of alert generation. The company may seek extension of time period whenever required.

#### 5.0 Quarterly MIS shall be put up to the Board. In report, following points should be included:-

- Number of alerts pending at the beginning of the quarter.
- Alerts received from Exchange/own observation during the quarter
- Alerts disposed of during the quarter
- Alerts pending at the end of the quarter
- Reason for alerts pending.



## Note

### Company's policy on pre-funded instruments/electronic fund transfers.

The objective of this note is to lay down company's policy on pre-funded instruments/electronic fund transfer so that funds come from clients and there is no inflow of third party funds/unidentified money and also in order to comply with MCX Circular no. MCX/COMP/348/2011 dated 4/10/2011 on the above subject.

2.0 Pre-funded instruments i.e. pay order/draft less than Rs. 50,000/- per day per client can be accepted without additional details.

3.0 Pay Order/draft amounting Rs. 50,000/- or more can be accepted only if the same are accompanied by following details:-

- Name of the bank a/c holder debited
- Bank a/c number debited

Above details are to be certified by the issuing bank. The mode of certification can be as under:

- Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
- Certified copy of requisition slip
- Certified copy of the pass book/bank statement.
- Authentication by the issuing bank on the reverse of the instrument i.e. pay order/draft.

Audit trail of the funds received through electronic transfer RTGS/Neft should be maintained to ensure that the funds are received from clients only.

Sub: Company's policy on client code modification

1.0 Objective of this note is to lay down company policy on client code modification as directed by SEBI vide its circular no. SEBI/HO/CDMRD/DMP/CIR/P/2016/73 dt. 19.8.2016.

2.0 SEBI/NCDEX/MCX view seriously the matter of client code modification.

3.0 At the outset, dealers should be extremely careful while punching orders in trading terminals.

4.0 Objective is to ensure that there is no need at all for client code modification.

5.0 There is mandatory financial penalty for any client code modification including genuine errors. In addition, SEBI/Exchanges will take disciplinary action if client code modifications are not genuine as per their interpretation.

6.0 SEBI/Exchanges consider only following errors as genuine errors:-

- Original and modified client names/codes are similar.
- Modification within relative (as defined in Companies Act, 1956) enclosed.

7.0 Facility of client code modification in our company will be available only with Administrator and with no other Dealer.

8.0 All instances of error in punching client code requiring client code modification will be put up o the concerned dealer in the attached format in writing immediately to the Director who will advise either of following remedial actions:

- To modify or not to modify
- To modify to new client code
- To modify to .....and liquidate from that account only (e.g. ER02).

## **Policy on Internal Control**

The objective of this note is to lay down company's policy on internal control.

The objective of internal control is that there should be built-in check mechanism so that there are no mistakes in company's operations.

i) Internal check.

Every voucher will be prepared and checked by different persons.

The Depository slips received from clients will be checked and approved by 2 different persons.

There will be maker and checker concept.

ii) Dormant accounts will be monitored as per policy laid down by Exchanges

iii) Quarterly settlement will be done in letter and in spirit.

iv) Complaints received from clients will be closely monitored by the Director personally.

v) The first telephonic order from the new client will be taken by the Director.

vi) Demat transaction holding statement will be e-mailed every month so that clients can check his/her transactions and holdings and inform discrepancy, if any.

vii) Whistle blower policy

Company's employees are encouraged to inform in confidence any wrong-doings by any person without fear, favour.



## **Policy on outsourcing activities**

The objective of this note is to lay down company's policy on outsourcing activities.

The company will develop infrastructure in-house for different activities and will not outsource any activity.

## Company Policy-Quarterly Settlement of Client's Accounts

Wef 1 Apr 2012, commodity exchanges have mandated quarterly settlements of client's accounts, Objective of this note is to lay down company policy on this subject.

- All accounts of clients will be settled every quarter i.e. March, June, September, December.
- In case the clients have open position on such 'quarterly settlement dates', requisite funds to meet the maximum likely margin obligation for the next 3 trading days may be retained. This retention of adequate margin shall ensure that clients don't get into square off mode unnecessarily due to such quarterly settlement.
- Margin amount to be retained (Estimating maximum margin obligations for next 3 days) will be as under:-
  - Actual margin (on date of quarterly settlement + Thrice the actual margin (on date of quarterly settlement))(Unless otherwise instructed by the respective client in writing)  
{The company has decided above formula in consultation with the clients since MCX (unlike NSE) has not specified the exact formula for calculating margin to be retained while doing quarterly settlement}
- While settling the accounts, statement of account (extract from the client ledger) will be sent to the clients. This statement will explain the retention of funds, if any.
- Above quarterly settlement shall not to be done for collateral / margin recd in the form of BG, FDR, other collateral.
- No inter client adjustment is to be done for the above quarterly settlement.
- Time difference between 2 quarterly settlements should not be more than 90 days. In other words, the settlement should be done once in a quarter and that such settlement need not be on same date for all the clients.
- Refund of small amounts may be ignored while doing quarterly settlement of accounts.

Above is a very important compliance as per FMC / Commodity exchanges.

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### **Policy for Inactive Accounts**

Inactive accounts are more vulnerable to fraud or manipulation and the clients are advised to be careful not to allow their accounts to be inactive. An inactive is one in which there is no operation during the last six calendar months. Such accounts may be marked as "inactive" in the Back Office without any request by the client. Transaction in an "inactive account" will be permitted after strict diligence.