Annexure
Internal control

1. **Details**
   ➢ Date of starting of business : December 5,1997
   ➢ Background of company
      The Company:
      JHP Securities Private Limited ("JHP" or "the company") was incorporated as a private limited company with the primary object of conducting stock / securities broking business.
      Location of the registered office:
      The registered office of the company is located at 2ⁿᵈ Floor, Dev Neo Vikram, Sahakar Nagar, Above AUDI Car Showroom, New Link Road, Andheri (East), Mumbai - 400053.

2. **Client Code Modification:**
   ➢ Reasons for the modification of client codes
      Punching Error
   ➢ Ratio of modification of client codes done at Head office vis-à-vis other offices
      Average in a month One from HO / Sub-brokers.
   ➢ Details of authorized representatives for approval of client code modification w.r.t. error trades.
      Ms. Pooja Panchal, Compliance Officer
   ➢ Measures taken to reduce the modification of client codes.
      We have instructed our dealers to be extra careful while punching the orders.
   ➢ Whether the trades have been modified only for the objective criteria allowed by the Exchange?
      Yes
   ➢ Whether securities taken into ERROR A/c are liquidated in the same A/c?
      Yes

3. **PMLA**
   ➢ Compliance w.r.t. Principal Officer and adoption of written policy.
      Mr. Vishal Patel has been appointed as the Principle officer and the same has been intimated to FIU. A copy of the intimation letter has been enclosed for your reference. Also, the detailed policy is enclosed.

      Whether KYC and AML policies have been reviewed in line with SEBI Guidelines?
      Yes

   ➢ Measures taken with regard to Anti money laundering Act
      We generate following reports and analyze the same so as to see whether transactions are suspicious and required to be reported to FIU.

➢ *Client wise turnover report so as to see whether the client's trading is in accordance with his known source of income. Wherever, it is necessary we enquire from client about his financial capacity.*

➢ *Scrip wise client wise turnover wherever our volume is 5% or more vis-a-vis overall turnover in the scrip in Stock Exchanges. This report is analyzed so as to see whether any client is trying to misutilise our trading platform with a view to distort the market equilibrium and or indulging into manipulative or prohibitive trade practices.*

Apart from above we also have following:-

➢ *Online surveillance of transactions entered by the clients or entered by the dealers on behalf of the clients on real time basis so as to ascertain whether any discernible pattern is emerging requiring further enquiry or prohibition on trading in the scrip or on client.*

➢ *Risk classification of clients including CSC category.*

➢ System of keeping a check on Volume of trading done by the client is in proportion to his financial details as disclosed in the KYC.

Same as Mentioned in Para (a) above.

➢ Alerts for the same generated or not?

Yes

➢ Any Suspicious Transaction Report (STR) sent to FIU

The robustness of the system has succeeded in avoiding any misutilisation and hence there was no occasion to suspect any transaction to be reported to FIU.

➢ Risk categorization of clients.

The clients will be placed under low, medium and high risk category based on their turnover per day. The clients transaction in a single day for less than10 lakhs will be placed under the low risk category, more than 10 lakhs and less than 1 crore will be under the medium risk and more than 1 crore transaction on a single day will be high risk category.

4. **Introduction/Registration of clients**

➢ Basis of accepting as client

  ➢ *Client approaches the Head Office (HO) for opening of a new trading account.*

  ➢ *An Officer from HO takes the complete details from the Client with regard to the Client Registration and fills up all columns in the physical Know Your Client (KYC) form.*

  ➢ *An Officer from HO pastes passport size photograph of the Client and takes Client's signature wherever required on the KYC & other documents.*

  ➢ *An Officer from HO takes four mandatory proofs i.e. PAN copy, bank proof, demat proof and address proof from the Client.*

➢ Procedure for In-person verification of clients and maintenance of proof for the same, specifically in respect of out station & sub-broker clients

An Officer from HO verifies the zerox copies with original documents and certify the same by signing the same and putting rubber stamp as 'Verified with the Original'. In Person verification of the client is done by our staff.

➢ Whether Client Registration Documents (CRD) given to new clients & to existing clients, on demand. Also, whether UCC & email ID communicated to clients on CRD or separate letter, and proof for the above.
   Yes

➢ Do you outsource client registration modalities?
   No

➢ Do you entertain walk in clients? If yes, what are risk mitigation measures taken in dealings with such client.
   No

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➢ Process of record keeping and retrieval of client registration document.
   We have stored all the account opening forms at our KYC processing office at Registered Head Office

5   Funds:
➢ System of pay in and pay out of funds from / to clients
   We follow a system of T+2 cycle for Pay-in and Pay-out of funds from/ to our clients. We ensure that this process is completed within the stipulated time period. We pay due attention to ensure that the funds are managed from our own accounts in case of Proprietary Trading/ Own Trading. To manage financial risks, we keep shares in the form of margin to ensure timely pay-in of funds. We also strictly adhere to our policy of not funding to the clients in order to garner larger volumes of trades, or to grow our business. We also ensure that benefits such as dividend are credited to the client's account within the stipulated time frame. We take strict action against the defaulter client, who is unable to fulfill his financial obligation with a stipulated timeframe.

➢ System & source of pay in and pay out of funds in case of Own trading
   The same has been made from own sources.

➢ Procedure of Margin collection, if any from clients & maintenance of records thereof
   As mentioned in the Risk Management Policy.

➢ Any funding is done to the clients
   We are doing funding to the client which are in connection with and incidental to and consequential upon the securities business.

➢ Credit / transfer of Dividend to the clients / own dividend
   Dividend is reconciled on a daily basis and the same is transferred to the client

➢ Procedure followed in case of default by client/ sub broker's client
   No such instance were observed

➢ Payment to sub brokers / remisiers
   Through Account Payee cheque

➤ Any third party transfer of funds? If yes , policy in this regard
No

6. BOLT Terminal

➤ Procedure of accepting & placing of orders
All the orders were received on phone or personally by the client. All the orders received by the client were instantly entered in the system and executed orders and pending orders were informed to the clients.
➤ Factors determining the trading limit for each terminal / client
RMS would allot exposure limits keeping in mind the payment capacity and credentials of the client.
➤ Control over operator to ensure that he is entering authorized trades only
We make surprise visit at the dealing room to ensure that our dealers are placing the authorized orders only.

In case where terminals have been located abroad, then Opening of terminal abroad is in compliance with SEBI Guidelines : No Terminals have been located abroad.

7. Contract Notes
➤ Whether printing of contract note is centralised? If not, Place from which CN are printed.
Centralised
➤ Procedure for printing CN in case of outstation clients / sub broker clients
Centralised
➤ Basis of numbering
Numbering has been reset to 1 on every financial year.
➤ System for maintaining duplicates & acknowledgement for CNs
Maintained
Whether consent for change in e-mail id is obtained through physical letter from the clients?
Yes

8. Securities:
➤ System of pay in and pay out of securities from / to clients
On opening of the account, we impart information about our Pool account for delivering shares for the pay in to all the clients. They are being given the relative settlement number for sending shares for pay in.
On the day of the pay in at around 9.00 a.m., an officer takes out the list of all overdue securities pending for pay in. He then finds out the list of probable seller and calls him up for delivering the same on urgent basis as the pay in completes by 10.30 a.m. All the shares undelivered by pay in goes for auction, which is being billed to the respective client.

Pay -out:
We deliver the shares to client only on receipt of clear credit in our Bank. Till the time the debit is not cleared, the shares are not released to him and the same is kept in our client beneficiary account.

➢ Separate Own Beneficiary Account maintained or not: ***Maintained***
➢ Separate Client beneficiary account maintained or not: ***Maintained***
➢ Client wise segregation of securities maintained or not: ***Maintained***
➢ Whether Clients' securities maintained with Member: ***Maintained***
➢ Procedure for check on Third party security transfer/ acceptance
As per the Exchange regulations, we do not accept any third party shares. In case the Client transfers shares from a demat account not registered with us, we do not give credit for such shares received as demat ID of such shares does not tally with the demat ID of the Client registered with us. In such case, we demand the ID proof from the Client on the same day of pay in. If the client is not able to provide his demat id proof, then we returns the shares to Wrong ID account.
➢ Policy to ensure that client's securities are not mis-utilised for own purposes or for any other client.
We are preparing the reconciliation and we always ensure that client's securities are not misutilised.

9.   Statements of Accounts & Daily Margin Statement
➢ Whether statement of accounts for funds and securities are issued on monthly or quarterly basis. ***Quarterly***
➢ Whether statement of accounts is issued from the branches/sub-broker's office/authorized persons office. If yes, the procedure followed for issuance and the maintenance of the duplicates and proof of delivery.
Issued from HO only
➢ Whether statement of accounts are issued physically or digitally?:   ***Physically & Digitally***

10.   Execution of POA (Power of attorney) (if applicable) -
➢ Please specify in whose name POA has been taken (trading member, its employees or representatives or sub-brokers)
In the name of Member.
➢ Process adopted for execution of POA
POA execution has to undergo two levels of authorization.

11.   Opening & closing of branches
➢ Procedure adopted for opening & closing of branches
➢ In case of closure of branches, how and when do you communicate existing clients?

As a policy clients are informed about the closure of branches before its closure and option is given to them either to shift their account to our nearest branch or shift their account to some other broker.

12. **Closure of client accounts / dormat account**
➢ What type of documentation (both inward and outward) undertake for closure of account.
   We obtain the account closure form to close the account.
➢ In case of dormant account (six month), what extra caution taken before execution of trade in such account
   We obtain the request letter from the client to reactivate the account.
➢ Procedure adopted in case of very old dormant account (2 years old)
   We obtain the request letter from the client to reactivate the account

13. **Receiving and Execution of Orders**
➢ Mode of order acceptance at HO/Branches/Sub-brokers office/AP's offices
   We are accepting the orders by clients attending our HO personally. Also, we accept orders on telephone.
➢ Any document is maintained for the clients who personally walk into the office and place the order?
   No
➢ System for identifying authenticity of caller when the order is placed through telephone.
   We normally ask the caller his date of birth to ensure his authenticity.

   Mechanism put in place to limit the cumulative value of unexecuted orders from the terminals? – Yes. We have set the limit in the "0" terminal.

14. **Portfolio Manager**
➢ Whether Trading Member acting as a portfolio manager?
   Yes
➢ Procedure for client registration, order execution, contract notes issuance and settlement mechanism followed for the same.
   Under the DPM Service, the discretion to make investment decisions lies with the Portfolio Manager. The process of funds management by the Portfolio Manager is as under:

   i. Enter into Portfolio Management Agreement with the clients; at this stage the client is given a choice of the fee structure viz. Fixed Percentage/Performance Linked/combination of both.

ii.   The PMS client will have to open broking account, bank account, with the bank chosen and Demat account with the Depository participant and the said accounts shall be managed by JHP PMS under Power of Attorney.

iii.   In case of Non-resident clients, the Client will have to open separate bank account. The Custodial services will be offered by Depository Participant. The Portfolio Manager shall manage then accounts under Power of Attorney.

iv.   A monthly unaudited statement listing the client's funds position and the performance of the Fund will be sent to the client.

v.   An annual audited statement listing the client's funds position and the performance of the Fund will be sent to the client.

vi.   As per the SEBI guideline dated August 11, 2008 we have discontinued managing on the pool basis with effect from 11 Feb 2009. JHP PMS shall get the transactions of all Clients executed through the Non-Pool based system, where the order will be placed either on Individual Client basis or on the Pool based but the bank accounts and the DP accounts of Customers are maintained separately thereby ensuring the trail and individual identification of shares and Funds of each client .

We are sending digital contract note or physical contract note to the client on same day of the Trade. We settled the trade either through custodian or through JHP Securities Pvt. Ltd.

➢ Whether any of the clients of the TM is acting as a portfolio manager?
No

15. **Brokerage Charged**
➢ Brokerage schemes provided to the clients?
➢ Elaborate on the schemes provided?
Brokerage has been charged at the rates agreed with the client.