

**Sodhani Securities
Limited**
Broking Division

POLICIES AND PROCEDURES FOR CLIENT DEALINGS

(Approved at Board Meeting held on 02nd Sep, 2022)

POLICY FOR ACCEPTANCE OF CLIENTS

New clients are accepted from the following categories of persons:

- Relatives/Associates of existing Clients.
- Reference of existing Client with good trade record.
- Existing demat account holders with clean transactions.
- Walk-in clients generally not accepted.
- Delivery based clients preferred.
- Clients with reasonable financial & social status.

The following guidelines should be observed while accepting a new client:

a) No account is opened in a fictitious / benami name or on an anonymous basis. Account Opening Applications without sufficient and proper KYC documents should be rejected summarily. Application where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non genuine, or there is perceived non co-operation of the client in providing full and complete information should also be rejected and where ever such instances occur after opening the account, the account should be suspended immediately till proper compliance is made by the client.

b) High Risk Clients:

The following types of accounts are required to be classified as HIGH RISK CLIENTS and more care should be taken while accepting new accounts and while monitoring suspicious transactions for the purposes of PMLA reporting:

- Individual accounts (unrelated or not belonging to same family) having common address or where transactions are conducted by a one or more person for the entire group and not by the client.
- Non- individual/ Corporate accounts in different names but with common address /registered office address or correspondence addresses or with common signatories.

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 Know Your Client (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 requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.

d) Special care should be taken in case of account opened/to be opened is to be operated by a means of a Power of Attorney (POA) by another person. This will include examining the authenticity of the POA submitted, independent verification from the client directly, etc. The POA should be unambiguous with relation to the authority, rights and obligation of the POA holder.

e) Accounts of persons having criminal background or of persons against whom any regulatory action has been taken by SEBI should not be opened.

Clients of special category (CSC):

The following class of clients have been listed by SEBI as Special Category Clients and special attention needs to be given while registering these class of persons as clients and while monitoring their transactions for the purpose of reporting of Suspicious transactions:

- i. Non resident clients
- ii. High net-worth clients,
- iii. Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- iv. Companies having close family shareholdings or beneficial ownership
- v. Politically Exposed Persons (PEP) Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.
- vi. Companies offering foreign exchange offerings
- vii. Clients in high risk countries where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.
- viii. Non face to face clients.
- ix. Clients with dubious reputation as per public information available etc.

Client Registration/Identification Process

Client Due Diligence (CDD)

The following procedure is followed for conducting CDD:

- ☎️ ① Obtain sufficient information in order to identify persons who beneficially own or control the securities trading account. The case of Companies, Bodies Corporate, Trust and Partnership firms, identity proof of persons having beneficial ownership or of the persons who ultimately own, control or influence the client transactions needs to be taken. In case of non-individual accounts, dominant share holders/list of Directors/partnership/Trustees, etc have to be obtained at the time of accepting the account.
- ☎️ ② Verify the client's identity using reliable, independent source documents, data or information – currently, Income Tax website is used for verification of PAN No and identity of the client. Ministry of Corporate Affairs website <http://www.mca.gov.in/MCA21/> can be used to collect information about corporate clients registered with the Registrar Of Companies in India.
- ☎️ ③ 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 client, its business and risk profile, taking into account, where necessary, the client's source of funds. Copies of Annual Accounts needs to be collected from Corporate Clients on a yearly basis to assess the financial position of the client.

Other operational aspects relating to client acceptance and registration are:

- New Clients are accepted only after meeting director. Credentials of the client are checked with the person referring the client. During the meeting assessment of financial position, risk appetite, investment objectives, past credentials, qualification, current working position, etc is made.
- Account is opened after receipt of completed form and after proper verification of the documents.
- The client is introduced to the dealer before accepting the order for the client is given the background of the client so that the dealer is in a proper position to analyse the capability, the risk appetite and the investment pattern of the client so that proper risk assessment can be made considering the client.
- Due regard is given to the provisions of Rules, Regulations, Circulars and Guidelines issued by NSE, SEBI and other Regulatory Authorities under SEBI Act, PMLA, etc relating to collection of documents and in-person verification.
- Clients under high risk profile as a matter of Company policy, should be avoided.
- Verification of the name of prospective client against the database of debarred/banned entities is also done; like information relating to defaulters on www.cibil.com and vanishing companies database, prosecution database on www.sebi.gov.in
- Based on circulars / directions issued by SEBI/ exchanges & list of banned entity from time to time, the PAN of debarred clients is blocked in our system. We check the identity of the clients and same should 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
- The client registration modalities are carried out in-house and not outsourced.
- The documents are stored at the office and filed properly for easy retrieval whenever required.
- The financial capability of the client is assessed on the basis of discussion / disclosure / income tax document like ITR return or Income tax order.
- With reference to updation of client's financial information, the corporate clients are requested to send copies of their audited balance sheets and copies of their latest Income Tax Returns are requested case of F&O and other Individual Clients. In absence of latest Income Tax Returns, they are requested to provide bank statement of last one year. In case of other non-individual clients, they are requested to provide with copies of net worth certificate issued by a Chartered Accountant.
- Any change in address, e-mail id, contact details, etc is entertained on proper written request.
- In-person Verification is conducted by the various employees of the company. In case of clients not located at branch place then they personally come to the office for opening of account or a company employee visits them in person to carryout the in-person verification.
- The duly executed client registration documents are sent to clients by courier along with the welcome letter or the documents are handed manually to the client.
- The UCC is uploaded by the back office and the compliance officer or manager of the Client Registration carried out this activity before any trades are inputted on behalf of the client.
- We don't have any separate marketing division and no norms are specified for the same.
- We have not launched any promotional schemes till date.
- The clients are informed about the risk associated in equity / derivatives / securities trading at the time of their registration.
- We don't offer any type of freebies like free demat a/c, etc. to our clients.

Sales Practices followed by the Trading Member

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

Closure of client accounts and activation of dormant clients

A client trading account can be closed by the client at any time after settlement of account. In such a case, the dealer is informed about the termination of trading relationship and marking the status of client as 'CLOSED' in the back office Client Maintenance Module.

- Dormant clients are accounts where in no transaction has occurred over the past 12 months. In case of dormant accounts, the status of Client is set to 'INACTIVE' in the back office. Simultaneously, UCC Database of NSE should also be updated to mark the Inactive Status.
- Where a client who has been classified as a DORMANT approaches for resumption of trading, the dealer will obtain prior approval from the Director before accepting the order. The Director will allow resumption of business with the client if he satisfied that there are no outstanding dues from the client/his family group and the past record of dealing with the client was good.
- The Director at his discretion and based on past experience of clients' dealing may refuse permission for resumption of business.

Temporarily suspending or closing a client's account at the client's request

- On the request of the client in writing, the client account can be suspended temporarily and same can be activated on the written request of the client only. During the period client account is suspended, the market transaction in the client account will be prohibited. However client shares/ledger balance settlement can take place.
- On the request of the client in writing, the client account can be closed provided the client account is settled. If the client wants to reopen the account in that case client has to again complete the KYC requirement.

Deregistering a client

Notwithstanding anything to the contrary stated in the agreement, the stock broker shall be entitled to terminate the agreement with immediate effect in any of the following circumstances:

- (i) If the action of the client are prima facie illegal / improper or such as to manipulate the price of any securities or disturb the normal/proper functioning of securities or disturb the normal/proper functioning of the market, either alone or in conjunction with others.
- (ii) If there is any commencement of a legal process against the client under any law in force;
- (iii) On the death/lunacy or other disability of the Client;
- (iv) If the client being a partnership firm, any steps taken by the Client and/or its partners for dissolution of the partnership;

- (vi) If the Client suffers any adverse material change in his/her/its financial position or defaults in any other agreement with the Stock broker;
- (vii) If there is reasonable apprehension that the Client is unable to pay its debts or the Client has admitted its inability to pay its debts, as they become payable;
- (viii) If the Client is in breach of any term, condition or covenant of this Agreement;
- (ix) If the Client has made any material misrepresentation of facts, including (without limitation) in relation to the Security;
- (x) If a receiver, administrator or liquidator has been appointed or allowed to be appointed of all or any part of the undertaking of the Client;
- (xi) If the Client have taken or initiated any action for its reorganization, liquidation or dissolution;
- (xii) If the Client has voluntarily or compulsorily become the subject of proceedings under any bankruptcy or insolvency law or being a company, goes into liquidation or has a receiver appointed in respect of its assets or refers itself to the Board for Industrial and Financial Reconstruction or under any other law providing protection as a relief undertaking;
- (xiii) If any covenant or warranty of the Client is incorrect or untrue in any material respect.

Inactive Client account

Client account will be considered as inactive if the client does not trade for period of one year. Calculation will be done at the beginning of every month and those clients who have not traded even a single time will be considered as inactive, the shares/ credit ledger balance if any will be transferred to the client within one week of the identifying the client as inactive. The client has to make written request for reactivation of their account.

TRADING

Receiving, validating & entering the orders of clients in trading platform

- The Organization setup is small and all the client are personally known to management/sub broker, their financial position is known and the dealer is aware of the risk appetite of the each and every client which helps in better control.
- The company has restricted the access to the dealing office only to the authorized persons who are dealers of the company.
- The approved clients are informed of the dealers who would be responsible for receiving, validating and entering the orders on behalf of them.
- The orders are received over phone, via e-mail, and personal instructions when the client is in the office.
- To give better & personal service to the clients they are divided group wise among the dealers so that particular dealer can serve a particular group of clients which helps dealer to understand client investment strategy in a better way & serve them accordingly. The concerned dealers have access of back office system in which the clients balance positions are updated daily and on the basis of the same the exposure is determined by the dealer. In cases exceeding the normal trading pattern, the dealer contacts the front office head to decide on the trade. The orders are entered instantly as given by the client within a reasonable period of time.
- On execution of valid order into trade, dealers confirm the trade with the client so as to avoid any future dispute.
- At the end of the trading hours, the dealer informs the clients about the execution of the orders placed by the clients. A detailed email is also sent from the back office system informing the client of trades executed on that day – summary as well as detailed, the bill amount and the ledger account of the client.
- After market hours, back office team informs the client about their executed trades for the day and also about their obligation towards Pay-in & Pay-out of funds & securities for the particular day.
- Contract Notes are generated on the same day and are dispatched to the client/hand delivered/collected by the representative of the client, as per client instructions. Margin statements in case of F&O clients will be generated and emailed to the clients at the email address provided by them.
 - **Request for Trade changes:**
 - a. Trade change request from client can be accepted only before 4.15 pm. Such request can be accepted only for inter-se changes between family members and not to third parties.
 - b. Trade changes required to be made due to mistake in execution by the dealer/dealing staff can be made only with the prior approval of the Director. In case the transaction is disowned by the client, and has to be transferred to “Vandha Account”, the dealer/dealing staff will have to report the reasons for the mistake and the loss occasioned by such mistake. In case for punching of order in wrong client code, the change can be done with the approval of the Director after confirming with both the clients.
 - c. Operating and back office staff are requested to follow the detailed instructions given under guidelines for “**Client Code Modification**”.

Refusal of orders for Penny Stocks

A stock that trades at a relatively low price and market capitalization. These types of stocks are generally considered to be highly speculative and high risk because of their lack of liquidity, large bid-ask spreads, small capitalization and limited following and disclosure. Depend on the market condition and RMS policy of the company, RMS reserve the right to refuse to provide the limit in Penny stocks and losses if any on account of such refusal shall be borne by client only.

Setting up client's exposure limits

The stock broker may from time to time impose and vary limits on the orders that the client can place through the stock broker's trading system (including exposure limits, turnover limits, limits as to the number, value and/or kind of securities in respect of which orders can be placed etc.). The client is aware and agrees that the stock broker may need to vary or reduce the limits or impose new limits urgently on the basis of the stock broker's risk perception and other factors considered relevant by the stock broker 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.), and the stock broker may be unable to inform the client of such variation, reduction or imposition in advance. The client agrees that the stock broker shall not be responsible for such variation, reduction or imposition or the client's inability to route any order through the stock broker's trading system on account of any such variation, reduction or imposition of limits. The client further agrees that the stock broker may at any time, at its sole discretion and without prior notice, prohibit or restrict the client's ability to place orders or trade in securities through the stock broker, or it may subject any order placed by the client to a review before its entry into the trading systems and may refuse to execute/allow execution of orders due to but not limited to the reason of lack of margin/securities or the order being outside the limits set by stock broker/exchange/SEBI and any other reasons which the stock broker may deem appropriate in the circumstances. The client agrees that the losses, if any on account of such refusal or due to delay caused by such review, shall be borne exclusively by the client alone.

We have margin based RMS system. Total deposits of the clients are uploaded in the system and client may take exposure on the basis of margin applicable for respective security as per VAR based margining system of the stock exchange and/or margin defined by RMS based on their risk perception. Client may take benefit of "credit for sale" i.e. benefit of share held as margin, by selling the same by selecting Delivery option through order entry window on the trading platform, the value of share sold will be added with the value of deposit and on the basis of that client may take fresh exposure.

In case of exposure taken on the basis of shares as margin, the payment is required to be made before the exchange pay in date otherwise it will be liable to square off after the pay in time or any time due to shortage of margin.

Applicable brokerage rate

Brokerage will be charged to clients at the rates mutually agreed but within the limits Prescribed by SEBI/Exchange.

The right to sell client's securities or close clients' positions, without giving notice to the client, on account of non-payment of client's dues

Without prejudice to the stock brokers other right (Including the right to refer the matter to arbitration), the stock broker shall be entitled to liquidate/close out all or any of the clients position without giving notice to the client for non payment of margins or other amounts including the pay in obligation, outstanding debts etc and adjust the proceeds of such liquidation/close out, if any, against the clients liabilities/obligations.

The client shall ensure timely availability of funds/securities in form and manner at designated time and in designated bank and depository account(s), for meeting his/her/its pay in obligation of funds and securities. Any and all losses and financial charges on account of such liquidations/ closing out shall be charged to & born by the client. In cases of securities lying in margin account/client beneficiary account and having corporate actions like Bonus, Stock split, Right issue etc, for margin or other purpose the benefit of shares due to received under Bonus, Stock split, Right issue etc will be given when the shares is actually received in the stock broker designated demat account.

In case the payment of the margin / security is made by the client through a bank instrument, the stock broker shall be at liberty to give the benefit / credit for the same only on the realization of the funds from the said bank instrument etc, at the absolute discretion of the stock broker. Where the margin / security is made available by way of securities or any other collateral approved by the Exchange, the stock broker is empowered to decline its acceptance as margin / security and/or to accept it at such reduced value as the stock broker may deem fit by applying haircuts or by valuing it by marking it to market or by any other method as the stock broker may deem fit in its absolute discretion.

The stock broker has the right but not the obligation, to cancel all pending orders and to sell/close/liquidate all open positions/securities/shares at the pre-defined square off time or when Mark to Market (M-T-M) percentage reaches or crosses stipulated margin percentage, whichever is earlier. The stock broker will have sole discretion to decide referred stipulated margin percentage depending upon the market condition. In the event of such square off, the client agrees to bear all the losses based on actual executed prices, the client shall also be solely liable for all and any penalties and charges levied by the exchange(s).

The Stock Broker shall not be obliged to deliver any securities or pay any money to the client unless and until the same has been received by the Stock Broker from the Exchange, Clearing Corporation/Clearing House or other company or entity liable to make the payment and the client has fulfilled his/her/its obligations first.

Conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client

We have margin based RMS system. Client may take exposure upto the amount of margin available with us. Client may not be allowed to take position in case of non-availability/shortage of margin as per our RMS policy of the company. The existing position of the client is also liable to square off/close out without giving notice due to shortage of margin/ non making of payment for their payin obligation/outstanding debts.

BACK OFFICE OPERATIONS

Collection & release of payments to client

- Some of the clients have given consent to the company to maintain running accounts on their behalf to avoid trouble of receiving / paying funds on daily basis. Trades of clients with prior history of default are not accepted unless funds/securities are received in advance.
- The company collects and releases funds through banking channels i.e. Account Payee Cheques. Confirmatory letters are taken in case of receipt of funds by way of Demand Draft.
- The accounts team keeps proper co-ordination with DP team regarding Pay-in of securities by clients and then releases the Pay-out cheques to the clients. In case of shortage the amount is released as per the decision of Executive director to give part money or not.
- Company releases payments of the clients either by hand delivery to the authorized persons intimated by the clients or by courier to the client's correspondence address as informed by the clients. In some cases cheques are directly deposited into client's account or by way of NEFT/RTGS funds transfer.
- The collections of funds from clients are also transacted in above manner, cheques are sometimes directly deposited by the clients or by way of NEFT/RTGS funds receipts.

Collection & maintenance of margins

- In the cash segment, margin collection is not mandatory. Thus, in the cash segment the trade done on behalf of clients are monitored properly and in case of clients who are new, the director may take a call of collecting margin / early pay in of the shares if risk is felt by the director, as may be required.
- The company has very few clients transacting in the F&O Segment. Upfront Margins in form of Cash and securities are accepted as collaterals are collected before start of trading. The securities received from clients as Collaterals are kept in the separate client margin demat account. The exposure of the client is accessed on the basis of the margin received from them. The RMS team / Senior staff at times is required to take decision on the orders of the clients on the basis of their assessment of the risk appetite of the client and the trades being done by them. The margin given and the balance lying to the credit of the client is assessed before entering any orders on behalf of the clients. Shortfall in margins, if any, are required to be collected from the client promptly and if required, positions of defaulting clients should be squared up. The margin report downloaded from the exchange is uploaded after checking the amount as lying with the organisation. The uploading of the margin report is done by the back office staff and the status of the uploaded file is checked on the next day regarding the success or failure.
- The company is not providing margin trading facility.

Collection & delivery of securities from/to client

- The company has received authority from clients to maintain running accounts on their behalf to avoid trouble of receiving / paying securities on daily basis. As decided by RMO in case of some clients no trades are done until the securities are received in advance. Proper record for securities held of clients is maintained.
- The company receives the deliveries of securities from the clients in the pool accounts intimated to the clients.

- For delivery of securities company has activated auto payout facility in clients demat account, for which daily report is been sent to the Clearing House.
- The company also reconciles its pool, principle, CISA and client beneficiary account on a daily basis.
- The company has subscribed for Speed-e facility to monitor online the activities of pool and other accounts.

Payment of Dividend & other cash/non-cash corporate benefits

- The company receives ESC credits for dividend & other cash corporate benefits on the client shares directly in the bank account.
- The company credits the dividends received to clients account on receipt of dividend warrant/intimation from the Company. Dividend received on own shares are credited to Dividend (Office Trading) Account. Unallocated dividend is reflected as credit balance in the Dividend (Received) A/C. Dividend allocation in some cases becomes difficult due to non-receipt of dividend warrant/intimation from the Company thereby making it impossible to identify the demat account for which the credit is being received and subsequently, the client who is entitled to receive credit for the same.

Internal shortages

- Internal shortage in any scrip in a settlement happens where both buyer & seller are clients of Company and seller does not deliver shares (part or full).
- In case of an internal shortage, the client is informed about the same. If the client is holding the shares and the delivery was not given by oversight or for some other reason, then he is given time to deliver the shares to the Pool account of the company.
- In case the client has over sold the shares, the client is informed to purchase the shares. On pay-in day, the short delivering client is debited an amount (provisional) equivalent to closing price of security on T+1 day. The dealer is also informed about the same and he ensures that the client purchases the share before the end of the day. In case the client does not purchase the short delivery shares within five working days, the same will be purchased on account of the defaulting client and delivery on payout will be transferred to the original purchasing client. In case the purchasing client sells the shares before purchase by the defaulting client and the shares are auctioned, the auction bill will be debited to the defaulting client. The amount debited to the short delivering client will be reversed on the payout day in the settlement where the short delivered shares are purchased.
- In case the can not be purchased from market due to any force majeure condition, then all shortages not bought-in are deemed to be closed out and short delivering seller client is debited at the higher of (i) the highest price between the first day of the trading day till the day of square-up (ii) closing price on the auction day plus 20%

Monitoring of debit balances

- The monitoring of the debits of clients is done on daily basis.
- We have a system of periodic reconciliation of client accounts and even try to nullify the account on periodic basis at the comfort of the client so as to make the balances Nil. The statement of accounts sent on quarterly basis.
- In respect of clients having outstanding debit balances, the past history of trading and the financial standing is considered and depending on the risk perception additional trading would be allowed or the trading for the client may be stopped if required.
- We may apply delayed payment charges (DPC) at the rate of 18 % p.a. on a daily basis from the settlement date on all outstanding obligations. The client understands that such DPC is deterrent in nature & as such company can not be assumed to be financing/funding the client's settlement obligations.

Recovery of dues - Square off of positions / liquidation of securities in case of persistent margin shortfalls/debit balances.

- The client is informed about the shortfall in margin/debit balance in his account. He is given time to replenish the margin or meet the short fall by additional funds.
- In case the client fails to replenish the margin or meet the short fall by additional funds, he is instructed to square off his position and sell securities held by us.
- The dealer is also informed about the requirement and he monitors the squaring-off/ selling of securities by the client.
- In the unlikely event of the client failing to do so, the same is done by the dealer after informing him.

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

- The organisation sends contract notes and daily margin statements within 24 hours of execution of the trade (ie. Within 1 day) by computer printouts to all the clients, including branch clients, at their registered address(s). Clients having email id are sent trade confirmations, ledger and net position (on trade day) and ledgers (on every day & subsequent 3 days on having any financial transaction of debit/credit to their account) by email. The contract note and daily margin statements are sent by courier or are hand delivered or sent by normal post (to outstation clients).
- The activity of sending contract notes, daily margin statement and quarterly statement of accounts to clients has not been outsourced to any person.
- In case of documents sent by courier the proof of dispatch (POD) is maintained and in case of hand delivery, acknowledged copies of the documents sent are maintained. Documents sent by Post are recorded in the contract note register.
- Spooled copies of contract notes are maintained.
- The ledgers and trade confirmations are sent by email to the email id as given by the client for the receipt of the emails.
- Where client intend to change the email address then they are required to give the request for the same in writing and the letter is required to be duly signed by the concerned client.

Recovery of penalty / delayed payment charges

Clients will be liable to pay late pay in/delayed payment charges for non making payment of their payin/margin obligation on time as per the exchange requirement/schedule at the rate not exceeding 2% per month. Similarly the Stock Broker will also be liable to pay delayed payment charges to the client for not making payment of their obligation on time, as per the Exchange requirement/schedule at the rate not exceeding 1% p.m., except in the cases covered by the "Running Account Authorisation" given by the Client to the Stock Broker.

The client is liable to pay fines / penalties for any orders / trades / deals / actions of the client which are contrary to Rules / Regulations / Bye laws of the exchange or any other law for the time being in force, at such rates and in such form as is conveyed by NSE. The client is liable to compensate/reimburse the stock broker for any fine or bear any punishment from any authority in connection with / as a consequence of / in relation to any of the orders / trades / deals / actions of the client.

Branch /Sub-Broker, Audits

Currently the company does not have any branch or sub-brokers catering to clients for broking services. Detailed policies will be put into place before setting up any branch or appointment of Sub-brokers relating to operations, audit and risk management.

Apart from the Statutory Audits to be completed under Section 221 of the Companies Act, 1956 and Tax Audits under section 44AB of the Income Tax Act, 1961, half-yearly Internal Audits are required to be conducted under the Rules & Regulations of NSE.

Continuity planning / Alternate plan in case of disaster etc.

- Two UPS for 5 KVA capacity are installed in the office of the company as a precaution to overcome power failures leading to loss of data and business. Apart from the lease line, which is the principal source of connectivity, NOW connectivity through internet lease line is used as a backup in case of failure of NSE Lease Line.
- For Back office Operations Company takes daily backup into hard disk of server. Apart from internal backup company also takes weekly external backup on removable HDD and keeps copy of it in a remote place (Executive Director's residence) for safe custody.
- The backups are regularly tested to see their usability in case of any disaster.

Risk Management

- The clients are personally known to the director and the overall exposure is determined for the person on the basis of the financial capability and on the collaterals in form of shares and money lying with us in the client ledger account.
- The risk with respect to the trades done by the client is regularly assessed by the dealer. The dealer being regularly interacting with the client is aware of the trading pattern and thus in a position to determine the risk vis-à-vis every trade done by the client.
- In case of large value transactions, the clients are at times insisted on giving advance money / securities as may be required.
- The client shares are tracked to have been received only from the designated DP account only so as to nullify the risk due to receipt of securities from other persons DP account. In case if any shares are given by any person on behalf of the client, then a letter signed by the beneficial owner and the client is taken specifying that the shares are given on behalf of the client and the owner does not have any claim against us.
- The exposure with respect to every dealer's terminal is controlled through the office risk management team.
- The risk management team regularly assesses the orders being placed by the clients to check the trades in illiquid / risky stocks. The past operations are also tracked, to assess the risk level of the company in dealing with such clients. Large Orders in stocks belonging to Trade to trade category and in illiquid stocks are restricted and are entered only after due approval of Director.
- Special attention should be paid in respect of all complex, unusually large transactions / patterns which appear to have no economic purpose. Internal threshold limits for each class of client accounts should be set periodically and special attention should be paid to transactions which exceed these limits. The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. However, given the current low volumes, such limits are not being set up.

Suspicious Transaction Monitoring & Reporting to PMLA

Alerts are generated on a monthly basis (before 7th of the subsequent month) based on the criteria listed in the PMLA Operating Procedures and the report is submitted to the Executive Director/Compliance Officer. The Executive Director/Compliance Officer will have to make

an assessment of the transaction based on the parameters defined in the **PMLA Operating Procedures** and will authorize generation and submission of the suspicious transactions to the FIU.

Investor Grievance handling mechanism

- The client grievances can broadly be classified in three categories:
 - Non-receipt of documents like contract notes, bills, account statements, etc.
 - Non-receipt of corporate benefits, delay in payout of funds and securities, etc.
 - Dispute in transactions.
 - Matters referred by NSE/SEBI.
- In all cases, the matter is first reported by the client to the dealer/accounts manager who interacts with the back office staff and tries resolution of the matter.
- Most of the matters relating to category one and two above get resolved to the satisfaction of the client within 2/ 3 days.
- Regarding disputes in transactions, the dealer tries to resolve the matter. In case, the fault is with the dealer, the transaction is reversed with the due approval of the Director by giving monetary credit to the client to the extent of loss incurred by him.
- If the any of the above matters does not get resolved to the satisfaction of the client, the dealer/accounts manager refers the same to the Director. Since most of the clients are very old and know the Director personally, they also approach the Director with their grievance directly.
- All such matters and the matters referred to by NSE/SEBI are directly handled by the Director.

Opening/Closing of offices, allotment/surrender of trading terminals and User Ids

- The Executive Director with the help of his team of officers analyze and assess the commercial viability, the operational convenience and suitability of the location for opening of any new office. After studying all the factors, the matter is referred to the Board of Directors and final decision is taken in the matter.
- Decision for closing of office is taken by the Board of Directors on the recommendation of the Executive Director.
- Operational matters relating to allotment/surrender of trading terminals and User Ids are handled by the Executive Director as per the directions received from the Board of Directors.

Records & Books of Accounts

Under The Securities Contracts (Regulation) Rules, 1957, the following books of account and documents are required to be maintained and preserved for a period of five years:

- (a) Register of transactions (Sauda book).
- (b) Clients' ledger.
- (c) General ledger.
- (d) Journals.
- (e) Cash book.
- (f) Bank pass-book.
- (g) Documents register showing full particulars of shares and securities received and delivered.

The following documents are required to be maintained and preserved for a period of two years:

- (a) Members' contract books showing details of all contracts entered into by him with other members of the same exchange or counter-foils or duplicates of memos of confirmation issued to such other members.
- (b) Counter-foils or duplicates of contract notes issued to clients.
- (c) Written consent of clients in respect of contracts entered into as principals.

Under the National Securities Clearing Corporation (Capital Market) Regulations, 1996, the following records are required to be maintained for a period of five years:–

- (a) Statements of fund and securities obligations received from the clearing(s).
- (b) Record of all statements received from the settling agencies and record of all correspondence with them.
- (c) Copies of all instructions obtained in writing from constituents.
- (d) Records in respect of interest received on securities of constituents, monies borrowed and loaned including monies received.
- (e) Records in respect of clearing charges collected separately from constituents.
- (f) A Register of transaction (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, showing for each such deal cleared, the name of securities, value of securities, clearing charges and name of constituents.
- (g) A securities register is required to be maintained to distinguish client's securities from its own securities.

The following records of transactions are prescribed to be maintained under Rule 3 of PML Rules: (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 as mentioned in the Rules.

Records mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of ten years from the date of transactions. 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.

Employees' Hiring/Employee's Training/ Investor Education

Hiring of Employees

Persons aspiring to become Employees will have to obtain reference from known sources. No person will be employed unless he has been able to obtain proper reference. All employees will also be required to satisfy the KYC Norms and complete the documentation/procedure as applicable to persons wanting to become clients.

Employees' Training

All employees would be encouraged to obtain NCFM certificates for the various operations. Employees dealing with clients as traders/dealers and doing the job of transactions verification/in person verification have compulsorily required to NCDO/ NCFM certificates. Employees are encouraged to participate in other seminars/conferences organized by trade bodies/ANMI/NSE/NSDL/SEBI, etc.

Investors Education

It is the duty of the sales staff and staff members interacting with the clients to inform and educate the client about the various regulatory changes being introduced by the Regulatory bodies and prepare them to handle the changes.