INTERNAL CONTROL PROCEDURES WITH RESPECT TO VARIOUS AREAS

1. Registration of Clients:

- Persons are added as clients only after they have had a meeting with the director of the company.
- The Client Registration Forms for opening an account are issued only when the management is satisfied with the client's financial capacity to trade in stock market and after the prospective client provides the valid reference & introducer for his account.
- Know your client form duly filled in the format prescribed by the exchange along with pre-franked Agreement / Stamp paper of requisite amount is obtained from the client, then checked with the mandatory requirements specified by the SEBI & Exchange along with supporting documents, proof of bank account, DP account, etc.
- The company has the policy of approval of all application forms by the Director of the company before allowing trading to applicant.
- Company has also advised its sub-brokers to make proper diligence about the client before introducing him to the organization and the final authority to approve sub-brokers client also vests with the Director of the company.
- After the end of every financial year we personally call each client to review the financial information and to obtain the latest financial information.
- To review ,obtain and identify the beneficial ownerships of non individual clients in terms of SEBI circular no CIR/MIRSD/2/2013 dt 24.1.2013

2. Closure of Client accounts/ Dormant accounts

- All the care is taken while dealing with cases of closure of client accounts. If client want to close the account due to some operational reasons or difficulties, efforts are made to resolve the issues.
- Request letter from client is obtained.
- In case of dormant account, trading limit is set to zero. Selling limits is only permitted when the securities are held with us.

3. 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 and sub brokers of the company.
- The approved clients are informed of the dealers / sub-broker who would be responsible for receiving, validating and entering the orders on behalf of them.
- The orders are received over phone, via e-mail, through sub-brokers, personal instructions when they are in the office.
- On execution of valid order into trade, dealers confirm the trade with the client so as to avoid any future dispute.
- At the end of the trading hours, the dealer informs the clients about the execution of the orders placed by the clients.
- After market hours, back office team informs the client about their executed trades for the day and also about their obligation towards Pay-in & Pay-out of funds & securities for the particular day.

4. Collection & maintenance of margins:

- The company transacts on behalf of clients in F&O segment only after collecting upfront amount.
- In case of carry outstanding transaction, margin money is called for.
- The company is not providing a margin trading facility.

5. Clients limits and Exposures

- The client limits and exposures are monitored by the Director personally. A risk management programme is also installed where by the client margin and mark to mark loss can be monitored on line by the Director.

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

- Digitally signed contract notes as well as physical contract notes are sent to each client on the day of trade execution itself.
- Quarterly statement of accounts are sent electronically. Our executives of accounts department call them personally and request them to send back the signed copy of account confirmation.
- Soft copies of the contract notes and account confirmation are stored on the computer.
- Log is maintained for digitally sent contract notes as well as for account confirmation.
- The consent have been taken from the clients for receiving contract notes, account confirmation and other documents on e-mail

6. Collection & delivery of securities 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, 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.

7. <u>Collection & release of payments to client:</u>

- All 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. As decided by Risk Management Officer in case of some clients no trades are done until the funds are received in advance.
- The company collects and releases funds through banking channels i.e. Account Payee Cheques & RTGS only..
- The account team keeps proper co-ordination with DP team regarding Pay-in of securities by clients and then releases the Pay-out cheques to the client. In case of shortage the amount is released as per the decision of director to give part money or not.
- Company releases payments of the clients either by hand delivery to the authorized persons intimated by the clients. In some cases cheques are directly deposited into client's account.
- The collections of funds from clients are also transacted in above manner. The cheques are deposited only after verifying the account number and branch with the bank details given by the client at the time of opening of account or thereafter.

8. <u>Operations & Compliance requirements:</u>

- The role of Compliance officer is to monitor the operations and compliance requirements of the organization.
- The company has the system of getting its accounts verified monthly and to see all compliances are been done on a timely basis.
- The company has also implemented compliance calendar to keep proper control over the operations and compliances.

9. <u>Monitoring of Sub broker & DP operations:</u>

- A person is considered for sub broker only after assessing the financial position, business capacity, experience, past operations etc. A sub broker is personally interviewed by director and only if found proper, further action for making a sub broker by SEBI / Exchange application is considered.
- Sub brokers usually operate from the registered office of the company and there all activities are under the observations of the organization. The records of sub brokers are periodically verified by company officials to verify that all statutory and other dues are being paid on timely basis by the sub brokers.
- The organization has proper demarcation of work and responsibility within the organization. The company has the dedicated personnel for DP operations who are responsible for the all activities of the department thus person in charge of trading is not allowed access to DP operations of the company. They intimate the client for their payin obligations on a daily basis at the same time they confirm the payouts to the clients on a daily basis. They also reconcile all their records on daily as well as weekly basis.

10. Monitoring of debit balances

- Debit balances are monitored on day-to-day basis. Collection Department do regular follow up to recover the debit balances from the client.
- Debit balances are monitored on daily basis.

11. Square off of positions / Liquidation of securities without consent of clients

- Surveillance department and collection department does continuous follow up with client for collection.
- If in spite of regular follow up client does not pay the required amount the client is requested to square off his position on immediate basis. With the clients instruction / knowledge the position is squared off at HO to the extent of his debit balance

12. Policy for internal shortages

Credit is given to the purchaser client at the auction rate as determined by the Exchange.

13. Transfer and Modification of trades

- Normally the transfer of trades are not done.
- However in case of an error by the dealer / authorized person, then the director verifies the nature of error, confirms with the client about the trade and then only the director personally rectifies the error, with proper reporting to the exchange. Under no circumstances, the trade is modified without reporting to the exchange.

14. Investor Redressal Mechanism

- The company has a separate manual register for recording all clients related complain either received personally or via post or via email.

- The company has also designated email ID for sending complain by its investors or clients. The email Id has been disclosed in the Welcome letter sent to all clients at the time of registration as well as are mentioned on the contract note.

- The company has also kept manual investors complain register at its all branches and the same are verified by the compliance officer or its team of official from time to time.

- The branch manager is responsible for sending the copy of complain received or written in complain register within 24 hours of the complain to compliance officer at head office either personally or via email.

- On receiving the complain, the Compliance officer is authorised to dispose off the complain on its merit and write personally to the client of all action taken by him for satisfaction of the client.

- If the compliance deserves the attention of the higher management or if the compliance officer is unable to dispose off complain to the satisfaction of the client or the exchange or the SEBI, the designated directors are informed of the situation by the compliance officer and all documents are placed before them within seven days of the receipt of the complain.

- The designated director's review the pending complains every seven days along with matters needed their attention.

15. Payment of Dividend:

- The company receives dividend on the client shares directly in the client bank account.
- The company pays all the dividends received on behalf of clients with in 30 days of receiving the same. The client dividend account is nullified every month to see that client dividend is credited to respective client account.

16. Continuity planning / Alternate plan in case of disaster etc:

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