INTERNAL CONTROL POLICY

OBJECTIVES:

- To ensure that the company and its various departments are run in accordance with management policies
- To ensure that the company does not suffer any losses due to lack of controls
- To plug the loopholes that could lead to revenue leakages
- To ensure smooth running of business operations complying with regulatory requirement.

POLICY:

REPORTING AUTHORITIES:

Staff in departments would report to their respective function heads.
All functional heads would report to Board of Directors.

MAKER- CHECKER POLICY:

All divisions will have maker-checker system in place. There would be two levels of controls exercised. All transactions would be authorized by respective department heads. High value transactions (above 5 lakhs) would require additional authorization of directors. Cheque signing authority would be restricted to specified persons. Delivery Instruction slips signing authority would be restricted to specified persons.

Further following activities would require approval of directors:

- Changes in brokerage master
- Changes in depository charges
- Capital Expenditure

INTERNAL AUDIT:

Stock Broking Division would be subjected to internal audit as per SEBI Circular. Internal audit would be conducted by independent CA firm. Internal auditors would review various departments as per audit program agreed mutually with the management and as per SEBI guideline. Internal auditors would directly report to Board of Directors.

CLIENT REGISTRATION, DOCUMENTS MAINTENANCE:

This is ongoing process and we regularly receive applications for registration as Client for broking/DP business. At HO experienced persons are entrusted with the work of Registering New Clients. New Forms received to be checked document as per exchange by one person and is rechecked by another and then submitted to the Authorized Person to sign the documents. Online e-KYC, KRA/CKYC validation, and digital In-Person Verification (IPV) process shall also be followed alongside physical KYC. A copy of the signed Form is given to the Client. KYC is stored in Fire Proof Cabinet or secure digital KRA repositories. We will not entertain the direct clients without knowing their past history & the financial details.

BANK AND DEMAT ACCOUNTS:

Client Bank Account will be used only for the purpose of receiving and paying funds from the clients. For the payments of expenses, the business account will be used. Fund Transfers between all the bank accounts will be allowed as per requirements.

The company will maintain client’s securities in a designated account called the Client Beneficiary Account or Client Margin Account. The securities of the company will be kept in a separate demat account termed as Own Beneficiary Account. The clients and own securities will not be mixed with each other.

THIRD PARTY CONTROL:

The cheques from the clients will only be accepted from the accounts for which the client has submitted the proof to the company. In case of any receipt from the accounts for which the proof is not available the same will be demanded from the clients. Payments for the payouts will only be made to the clients and not to any third party. Further, this control shall be established in the back office, which will not accept any cheque entry from Banks which are not registered in the software.

The shares from the clients will only be accepted from the accounts for which the client has submitted the demat proof to the company, and securities margin shall be managed via Depository Margin Pledge/Re-pledge and direct block mechanism in accordance with SEBI guidelines. In case of any receipt from the accounts for which the proof is not available the same will be demanded from the clients.

ALLOTMENT OF TERMINALS AND ORDER EXECUTION:

As a Policy matter, BOLT/NEAT Terminals shall not be provided to any person outside head office or branch. CTCL/IML terminals shall be allotted only to the approved user. We have a proper system to check the validity of approved user and ensure that certificate of approved users has not expired. Whenever, a trading terminal is not required by the person to whom it is allotted, we surrender the terminal to the Exchange.

We have a RMS system that is responsible for determining the trading limit for each terminal / client. We receive the order from clients manually as well as telephonically. We executed order telephonically after confirming the client identification by asking some personal information from the clients for ensuring that only authorized trades is executed. After market hours the dealer inform to all clients regarding their transaction in the market. In later stage after processing of back office, contract note and trade confirmation sent to the clients.

CONTRACT NOTES:

Contract Note shall be printed on centralized basis and issued it to all clients for trades (purchase/sale of securities) executed with all relevant details as required their in. A digital contract note is issued to a client within 24 hrs of the execution of trade with attachment of digital certificate of authorized signatory and log file for the same is maintained. Contract notes No. are maintained on financial year basis.

STATEMENT OF FUNDS AND SECURITIES AND ACTUAL SETTLEMENT:

The statement of funds will be sent to the clients on a quarterly basis within one month of the end of the relevant quarter as it will help avoid discrepancies in future. Digitally Signed Statement of Funds shall be provided to clients and logs for the same shall be maintained by us. The settlement of running account of funds of the client shall be done by the TM after considering the End of the day (EOD) obligation of funds as on the date of settlement across all the Exchanges on the First Friday or First Saturday of the Month / Quarter (i.e., Monthly or Quarterly as per client preference) for all the clients.

Further, on Actual settlement of Funds, we shall send Statement of funds in electronic mode within reasonable timeline explaining retention of funds.

While settling client's Funds, we shall retain followings:

- Entire pay-in obligation of funds outstanding at the end of day on date of settlement, across all segments.

- Member may retain 50% of end of the day (EOD) margin requirement as cash margin in cash segment, excluding the margin on consolidated crystallized obligation/ MTM.

- Member may retain 225% of EOD margin for F&O (Futures & Options) segment (which includes additional 125% margin) reduced by 50% cash margin and the value of securities (after applying appropriate haircut) accepted as collateral from the clients by way of 'margin pledge' created in the Depository system for the purpose of margin and value of commodities (after applying appropriate haircut). The margin liability shall include the end of the day margin requirement in all the segments across exchanges excluding the margin on consolidated crystallized obligation/ MTM. The margin liability may also include the margin collected by the Member from their clients as per the risk management policy and informed to the clients.
- For the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance shall be returned to the client by TM, within next three working days irrespective of the date when the running account was previously settled.

OPENING AND CLOSING OF BRANCHES OFFICES:

If management wishes to start up a Branch in an area where company is not operating, the first priority is to ensure that there is sufficient interest and commitment to start new branch office. The management will pull out the details of persons living in the area, for the interested party to look at and if required they shall be interviewed. It is important that no Branch should be a 'one-man band' operation. A number of staff within the branch could start, but the ideal is to have a small but sound core of people from a broking background, who live in the geographical area.

If a Branch is unable to produce brokerage equal to break even for a year or more, and is unable to add more clients, it is generally felt better that the Branch should close and clients be given the chance to be reassigned to other local Branches or nearby branches. If it is clear that the Branch cannot continue, 30 days advance intimation with regard to the same is to be given to the clients.

MONITORING OF BRANCHES/ SUB BROKERS/DP OPERATION ETC:

We have a centralized system for the back office and accounting procedures. The branches are under direct control of the management. 50% of Sub Brokers/ Branch/ AP shall be inspected Every Year and follow up shall be taken to implement observations made during inspection. Every 2 years, Steps to be taken that all Branches/ AP/ SB are covered through Inspection. Such Inspection shall be carried out as per Checklist approved by Management.

TRANSFER OF TRADES:

Trades must not be transferred from PRO to Client or Client to Pro and Further any modification of codes shall be governed by Code Modification Policy and Back office Code modification must not be allowed. Further Error Policy is also drafted for transferring trades to Error Account.

CLOSURE OF CLIENT ACCOUNTS / DORMANT ACCOUNT:

Closure of client account, deregistering client account, in active account, dormant account shall be governed by Policy and Procedures as prescribed in client registration document.

OPERATIONS & COMPLIANCE REQUIREMENTS:

Due care is taken to see that all compliances and operation procedures are as per those specified by the exchange and are updated accordingly.

RECORD MAINTENANCE:

All physical records like Client Registration Forms -Contract Notes- Bank records is kept at HO. To prevent the misuse of confidential information a "Chinese Wall" policy will be adopted in terms of SEBI (Prohibition of Insider Trading) Regulations, 2015.
This policy shall be reviewed periodically and updated as per requirements.