POLICY ON TREATMENT OF INACTIVE CLIENTS/ DORMANT ACCOUNTS

OBJECTIVE:

The objective of the policy is to appropriately deal with the Inactive/dormant clients, where clients have not traded for more than 24 continuous months.
The policy is also applicable for accounts which have been marked inactive on account of Rules, Bye laws, circulars and guidelines issued by Sebi, Exchanges and Internal Risk Management Policies.

BACKGROUND:

SEBI vide circular no. SEBI/MIRSD/SE/Cir-19/2009 dated December 3, 2009 and National Stock Exchange vide circular no. NSE/INSP/13606 dated December 3, 2009 and NSE/INSP/64718 dated October 25, 2024 directed that a policy be framed by stock brokers to deal with the inactive/dormant accounts.

PROCEDURE TO HANDLE INACTIVE/DORMANT ACCOUNTS:

Definition of Inactive Trading Account: In case of trading account, the term inactive account refers to such account wherein any of below mentioned activities has not been carried out by client since last 24 months:

- Trading or participation in OFS/buy-back/Open Offer across any of the exchanges/segments* of the exchanges through the same Member or
  *Cash/Equity Derivative/ Currency Derivative/ Commodities Derivative/EGR /Debt/Online Bond Platform/ Execution Only Platform /Any other segment as may be allowed by SEBI/stock exchanges from time to time.

- Transaction in nature of applying/subscribing IPOs (where the IPO bid is successful & not cancelled)/SGBs/Mutual Funds (lumpsum investment or investments through successful SIP instalment payments) on the Mutual Fund platform of the stock exchanges through the same Member

- Modification/updation of e-mail Id/Mobile Number/Address in KYC record of client through the same Member and the same has been uploaded to KRA to ensure Validated/Registered status.

The inactive accounts identified based on the above criteria shall be flagged as 'Inactive' in back office and UCC database of all the respective Exchanges.

GRANTING OF FURTHER EXPOSURE TO INACTIVE ACCOUNTS:

Once a trading account is flagged/marked as 'Inactive' in the system, no further trading exposure, ordering facilities, or limit extensions shall be granted to the client across any segment until the account is formally re-activated post necessary due-diligence and KYC re-verification.

PROCESS FOR REACTIVATION OF INACTIVE / DORMANT ACCOUNT WHICH ARE INACTIVE FOR 24 CONTINUOUS MONTHS:

The Client can follow any of the below processes:

- Mandatorily comply with In-Person Verification/Video In-Person Verification (IPV/VIPV) requirement specified in the SEBI Master Circular on KYC dated October 12, 2023.

- Seek confirmation from the client if there is any change in clients' basic details such as Address, Mobile number, Email ID, Bank/DP account, income, etc. as registered with the Member. In case of changes in any of the said details, the Member shall seek the updated details along with the necessary documents and update in its records as well in the UCC records of the respective Exchanges. In case of KRA Validated status or Registered status through same intermediary cases, the Trading Member may fetch the details along with the necessary documents from the KRA record and display the said details for confirmation of the client and updation in its record. If there is change, then member shall update the UCC records of Exchanges as well as KRA. If client has confirmed that there is no change, the Member shall maintain the verifiable logs of the same.

- Notwithstanding anything contained above, in case a client seeks re-activation then member shall verify client status as per KRA and if the client status as per KRA is not validated (i.e. "On hold"/"Rejected"/"Registered" through other intermediary, etc.) then the member shall seek basic details like Address, Mobile number, Email ID, Bank/DP account, income, etc. along with the necessary documents as required by KRA and upload the same to KRA to ensure validated/registered status as per KRA before permitting client to trade on the Exchanges.

Once an inactive trading account is re-activated as per the procedure prescribed above, the computation of next 24 months for the purpose of identifying client as inactive in the subsequent period shall be considered from the date of last reactivation of trading account.

Member may send the communication/notification to the clients prior to flagging their trading account as inactive however such communication/notification should not ask the clients to trade in order to prevent their accounts from being flagged as inactive.

Notwithstanding anything contained above, the Member shall also ensure adequate due diligence of the client on an ongoing basis (including, but not limited to, doing Re-KYC) in compliance with the provisions of the PMLA guidelines issued from time to time and in accordance with their respective KYC policies.

RETURN OF CLIENTS ASSETS:

Members are required to ensure that all client accounts are settled on monthly or quarterly basis (as per the client preferences) in the manner prescribed from time to time. In case a member is unable to settle the client accounts due to non-availability of client’s account details and non-traceability of client, Members are advised to make all efforts to trace the clients to settle client account and maintain an audit trail for such efforts made for tracing such clients and settling their account. In case of receipt of any claims from such clients, members are advised to settle the accounts immediately and ensure that the payment/delivery is made to the respective clients only. Member shall ensure to keep such unsettled funds up streamed to Clearing Corporations.

REVIEW:

The Board of Directors & Compliance Officer of the company shall review & update this policy from time to time and make the necessary changes as per the amendments introduced by the regulators