

## **POLICIES & PROCEDURES**

This document outlines various policies and procedures framed and followed by Kredent Brokerage Services Pvt. Ltd. (KBSPL) with present to its dealing with its clients as a stock broker on National Stock Exchange of India Ltd. (“NSE”), Bombay Stock Exchange Ltd. (“BSE”) and Metropolitan Stock Exchange of India Ltd. (“MSEI”) (collectively hereinafter referred as “the Exchanges”).

The policies and procedures as stated herein below are subject to change from time to time depending upon regulatory changes, its risk management framework, other market conditions, etc. The said policies and procedures and any revision/updating in the same from time to time is/will be available in the Client’s web login provided by KBSPL on its web site. The client can access and refer to such policies and procedures by using use Id and password provided by KBSPL.

### **1. Refusal of orders for Penny Stocks and / or illiquid Stocks/Contracts/Options**

In view of the risks associated in dealing with Penny Stocks and / or Illiquid Stocks/ Contracts/ options, KBSPL would generally advice its clients to desist from trading in them. Further, SEBI, Exchanges or KBSPL may issue circulars or guidelines necessitating exercising additional due diligence by the clients for dealing in such securities.

A security may be treated as Penny Stocks/ Illiquid Stock/ Contracts/ Options if it falls in anyone category as mentioned herein below:

- Securities (with face value of Rs.10/- and above) traded at less than Rs.10/- on any of the Exchanges.
- Securities appearing in the list of illiquid securities issued by the Exchanges periodically.
- Securities forming part of Trade-to-Trade settlement.
- Securities forming part of Z group.
- Securities on which Exchange VaR is more than 50%.
- Scrip whose average daily volume in last seven days is less than 20,000 shares or
- Rs.20 lacs in value which ever is higher (collectively for all Exchanges).
- Illiquid options / far month options /long dated options.
- Any other securities/ contracts/options as may be decided by KBSPL, which may be considered by KBSPL as volatile or subject to market manipulation or have concentration risk at client level or at the security level or any other reason.

Trading in such securities will be allowed to the client at the discretion of KBSPL such securities may be blocked in normal trading system and any dealing in such securities will be allowed only on the approval of the Risk team as it may deem fit. KBSPL may restrict the quantity of such securities if the client is allowed to buy/sell. KBSPL may further insist upto 100% advance pay-in of funds/securities before allowing trades in such securities.

Under no circumstances, KBSPL shall be responsible for non-execution / delay in execution of such orders and consequential opportunity loss or financial loss to the client.

The above list of criteria is an indicative list, KBSPL may define from time to time other category/ criteria to treat a security as Penny Stocks/ illiquid Stock/ Contracts/ Options.

### **2. Setting up the client’s exposure limits**

While setting up the exposure limits for and on behalf of the clients, KBSPL broadly takes into consideration the regulatory requirement, client profile, internal risk management policy, market conditions, etc. Considering the said parameters the exposure limit for a client would be set up as follows:

- Exposure limits to the client will be provided based on the available margin in the client's broking account maintained with KBSPL.
- The exposure limits will be depending upon the category of the scrip in which the Client will transact and will be as decided by KBSPL from time to time and may vary from client to client.
- On a case-to-case basis KBSPL, at its discretion, may allow exposure limits to the client.
- In case of cash segment, KBSPL may at its discretion allow clean exposure limit up to certain amount to the client without insisting for any credit balance and /or margin. The quantum of clean exposure limit shall be decided by KBSPL. On a case-to-case basis KBSPL may, at its discretion, give higher clean exposure limits to certain set of the clients. KBSPL reserves the right to withdraw clean exposure limit granted to the client at any point of time at its discretion. The client cannot raise any concern/ dispute for the same.
- Available margin for the purpose of granting exposure is calculated as a sum of free credit balance of the client in KBSPL's books, margin in the form of funds, securities, bank fixed deposit, bank guarantees, etc. of the client available with KBSPL.
- The choice of the securities to be considered as margin shall be determined by KBSPL at its discretion from time to time and the client shall be abide by the same.
- While granting the exposure limit, margin in the form of securities will be valued as per the latest available closing price on NSE or BSE after applying appropriate haircut as may be decided by KBSPL at its discretion.
- KBSPL may from time to time depending on market conditions, profile and history of the client, type and nature of scrip, etc., at its discretion charge/change the rate of haircut applicable on the securities given as margin, multiplier for granting exposure in Cash/F&O segments and take such steps as KBSPL may deem appropriate.
- The Client will have to abide by the exposure limit set by KBSPL.

### **3. Applicable Brokerage Rate**

For rendering the broking services, KBSPL charges brokerage to the client. The Brokerage rate will be as per the terms agreed with the client at the time of client registration. The brokerage rate agreed in Tariff Sheet by client will be communicated to the client by way of Welcome letter sent to him. The client shall verify the welcome kit and revert within 30 days in case the brokerage rate is not as per the terms agreed.

The brokerage rate may be varied in future as agreed between the client and KBSPL either in writing or orally from time to time. In case of oral agreement, if the brokerage is charged at such revised rate in contract note subsequent to revision and the client does not raise any dispute on such brokerage within the time period stipulated on the contract note then the same will be considered as consented by the client.

The brokerage rate at no point of time will exceed the rates as may be specified by the exchanges/ SEBI from time to time.

The brokerage will be exclusive of the following except in cases where it is agreed otherwise:

- Service Tax and Education Cess
- SEBI/ Exchange/Clearing member charges stamp duty
- Statutory charges payable to Exchange/ SEBI/Govt. Authorities etc.

### **4. Imposition of penalty/delayed payment charges, specifying the rate and the period.**

### **Imposition of penalty**

The exchange/clearing corporation/SEBI levies penalties on the broker for irregularities observed by them during the course of business. KBSPL shall recover such imposed penalties/levies, if any, by the Exchange/regulators, from the client which arise on account of dealings by such client. Such recovery would be by way of debit in the ledger of the client and amounts would be adjusted against the dues owed by KBSPL to the client.

### **Delayed payment charges**

While dealing with KBSPL it is the responsibility of the client to ensure that the required margins(including but not limited to initial margin, mark to market and/or other margins),any outstanding settlement obligations and/or any other dues payable to KBSPL are paid within the time period stipulated by the Exchanges or KBSPL, whichever is earlier.

Delayed payment charge is only a penal measure. The client should not construe it as funding arrangement. The Client can't demand continuation of service on a permanent basis citing levy of delayed payment charges.

The client will not be entitled to any interest on the credit balance/surplus margin available/kept with KBSPL.

However, as per management decisions as of now we do not charge any interest on delayed payment.

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

The client needs to furnish adequate margin as specified by KBSPL from time to time at its sole and absolute discretion. It shall be the client's responsibility to ascertain in advance the margin requirement for his/her/its order/trades/deals and to ensure that the required margin is made available to KBSPL in such form and manner as may be required by KBSPL.

Without prejudice to its other rights and remedies available under the Rights and Obligations of Stock Brokers, Sub Brokers and Clients, Risk Disclosure Document for Capital Market and Derivatives Segments, Guidance Note – Do's and Don'ts for Trading on the Exchange(s) for Investors and any other documents as may be prescribed by SEBI/ Exchange time to time, executed/to be executed by and between client and KBSPL or at law, KBSPL shall be entitled, in its discretion, to liquidate/close out all or any of the client's open/outstanding position, sell the client's securities available with KBSPL at any time to recover its dues without giving any notice to the client in the following circumstances:

- If the client fails to pay any margin, settlement obligations and/or other liabilities due to KBSPL within the stipulated time frame
- In the event that the market value of the client's securities, lying as margin or bought by the client for which payment is not made by the client, for any reason fall or is anticipated to fall, or circumstances arise or are likely to arise which may in the opinion of KBSPL jeopardize its interest and expose it or is likely to expose it to any financial loss or damage.

Any and all losses (actual or notional), financial charges, damages on account of such liquidation/sell/closing out shall be borne by the client only.

**However our internal control is such that the position of client squaring of due to Short fall in margin, pay in does not arises. If such incidence arises, we, immediately contacts the client and asked the client to make up the shortfall & the client obliged.**

#### **6. Shortage in obligation arising out of internal netting of trades**

In case of internal shortage of securities, we inform the clients to whom delivery is pending about internal shortage. Then we give them option of either taking delivery later or square the transaction in markets and receive difference if any. In case of internal shortage of funds, we pay to clients as soon as due to them from our resources and collects from other clients in course of time.

#### **7. Conditions under which the client may not be allowed to take further position or KBSPL may close existing position of a client.**

An illustrative list of circumstances on which KBSPL may not allow the client to take further positions or may close/liquidate a part of or whole of the existing position of the client are as follows:

- Failure by the client in providing sufficient/adequate margin(s) and /or insufficient/inadequate free credit balance available in clients broking account with KBSPL;
- If the client fails to deposit the margin /additional margin by the deadline or if an outstanding debt occurs in the Client's brokerage account with KBSPL beyond the stipulated time period;
- If the client fails to maintain the requisite margin in such form and manner as may be specified by KBSPL from time to time;
- Settlement obligations are not paid by the client within the time frame allowed by the Exchanges or as per the norms specified by KBSPL from time to time;
- Securities falling in the category of Penny Stocks/illiquid stocks/Contracts/Options.
- Trades which apparently in the discretion of KBSPL seems to be synchronized trades/circular trading /artificial trading /manipulative in nature, etc.;
- Securities /F&O contracts banned by the regulatory authorities;
- Any ban imposed on the client by the regulatory authorities
- Where name of the client apparently resembles with the name appearing in the list of debarred entities published by SEBI/Exchanges (where the information available for the debarred entity (other than name) is not sufficient enough to establish that the client and such debarred entity are one and the same);
- The client fails to furnish documents / information as may be called for by KBSPL from time to time as per regulatory requirements and / or as per its internal policy.
- In the event of death or insolvency of the client or the client otherwise becoming incapable of receiving and paying for or delivering or transferring securities which the client has ordered to be bought or sold;
- Where due to adverse movement in the prices of stocks in which the client has position , in (CM or F&O ) or given as collaterals, the chances of the accounts of the client going uncovered or unsecured i.e. Not backed by any kind of security arises.

KBSPL may take the action under this policy with/without giving any notice or intimation to the client. KBSPL will not be responsible for any opportunity loss or financial loss the client in the event any action taken by it under this policy.

#### **8. Temporary suspending or closing client's broking account at client request**

A client who wishes to temporarily suspend or close his/her/its broking account can do so by submitting a written request or by email (through email id registered with KBSPL) in the form and format as may be prescribed by KBSPL. The request can be submitted to the servicing branch or sub-broker or the head office of KBSPL. Prior to submission of such request the client should ensure that all amounts due and payable to KBSPL are paid. Requests from a client where no dues are outstanding would be processed within 10 working days from the date of receipt of the request.

If the client wants to activate the broking account then a request for reactivating the broking account should be sent in writing/via email (through email id registered with KBSPL) to KBSPL along with such documentary evidence as may be specified by KBSPL from time to time.

#### **9. Deregistering a client**

Without prejudice to KBSPL's rights and remedies available under the agreement, KBSPL may forthwith, at its discretion, de-register the client with/without prior notice/intimation in the following circumstances:

- (i) Where the client indulges in any irregular trading activities like synchronized trading, price manipulation, trading in illiquid securities/ options/contracts, self trades, trading in securities at prices significantly away from market prices, etc.;
- (ii) Any enquiry/investigation is initiated by the Exchanges/regulators against the client;
- (iii) Any regulatory action taken/initiated against the client by the Exchanges/regulators including but not limited to debarring the client from accessing the capital market;
- (iv) Where name of the client apparently resembles with the name appearing in the list of debarred entities published by SEBI/Exchanges (where no information other than name is available);
- (v) On the death/lunacy or other disability of the Client;
- (vi) 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;
- (vii) 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.
- (viii) If the client being a partnership firm, any steps has been taken by the client and/or its partners for dissolution of the partnership;
- (ix) Name of the Client appears in database/websites of CIBIL, Watch Out Investor, Word check etc;
- (x) The client having suspicious background or link with suspicious organization; where the client is non-traceable, has pending disputes with KBSPL, possibility of a default by the client;
- (xi) any other circumstances leading to a breach of confidence in the client for reasons like return of undelivered couriers citing reasons of "No such persons/Addressee left/Refusal to accept mails, etc.", continuous cheque bouncing, or not furnishing the financial and other details as may be called for by KBSPL from time to time, etc.;
- (xii) Such other circumstances which in the opinion of KBSPL warrants to de-register the client.

In all such case, KBSPL shall have the right to close out the existing open positions/contracts, sell/liquidate the margin (in any form) to recover its dues, if any, before de-registering the client. Any action taken by KBSPL in terms of this policy shall not be challenged by the client, and KBSPL shall not be liable to the client for any loss or damaged (actual /notional), which may be caused to the client as a result. Also while deregistering the client, KBSPL may retain certain amount/securities due/belonging to the client for meeting any future losses, liability, penalties, etc. arising out of dealing of the client with KBSPL. In case if any securities retained by KBSPL are sold/liquidated to recover any such losses, liability, penalties, etc. KBSPL shall have the authority to decide the mode, manner and the price at which to effect the sale of securities and the client can not raise any dispute as to the manner, mode and the price at which the securities are sold by KBSPL.

In any of the above circumstances, if the client is able to justify his/her/its innocence either by producing any record, document or otherwise to the full satisfaction of KBSPL, KBSPL may reconsider its decision of de-registering the client. However in no circumstances any action taken by KBSPL till the date of re-registration shall be challenged by the client and KBSPL shall not be liable to the client for any loss or damaged (actual/notional), which may be caused to the client as a result.

#### **10. Policy for inactive client**

Any client who has not traded in any segment of any of the Exchange with KBSPL for last 6 months calculated from the beginning of every financial year or such pother period as may be decided by KBSPL at its discretion then such client would be termed as Dormant/Inactive Client.

The broking account of such client may be deactivated / suspended temporarily by KBSPL. If the client wants to activate the broking account then a request for reactivating the broking account shall be sent in writing /via email (through email id registered with KBSPL) to KBSPL or may convey the same over recorded telephone line followed with written request. Such request for reactivation for should be accompanied along with such documentary evidence as may be specified by KBSPL from time to time.

If the client is tagged as a Dormant/inactive client, then the funds/securities lying with KBSPL may be refunded /returned to the clients at his/her/its last bank account/DP account or sent at last known address of the client as per KBSPL record.

#### **GUIDELINES FOR DEALING WITH CONFLICTS OF INTEREST**

On the lines of Principle 8 of the International Organization of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulations, it has been decided to put in place comprehensive guidelines for elimination of the conflict of interest of our entity or associated persons (defined later), as detailed hereunder.

- We will at all times maintain high standards of integrity in the conduct of our business;
- We will ensure fair treatment of our clients and not discriminate amongst them;
- We will ensure that our personal interest does not, at any time conflict with our duty to our clients and client's interest always takes primacy in our advice, investment decisions and transactions;
- We will make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair our ability to render fair, objective and unbiased services;

- We will endeavor to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department/ unit to another, etc.;
- We will place appropriate restrictions on transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict;
- We will not deal in securities while in possession of material non published information;
- We will not communicate the material non published information while dealing in securities on behalf of others;
- We will not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;
- We will not have an incentive structure that encourages sale of products not suiting the risk profile of our clients;
- We will not share information received from clients or pertaining to them, obtained as a result of our dealings, for our personal interest;
- There will be an educational programme for the “Associated Persons” in every six months for dealing with or avoiding or managing conflict of interest. For this purpose “*Associated Persons*” will be the persons associated and involved in the following core areas, namely:
  - a) Assets or funds of investors or clients;
  - b) Redressal of investor grievances;
  - c) Internal control or risk management;
  - d) Activities having a bearing on Operational risk.
- Our management shall review the compliance of this circular in every six months.

### **Policy for Client code modification/Error Account**

1. KBSPL shall have the absolute discretion to accept, refuse or partially accept the client code Modification requests based on Risk Perception and other factors considered relevant by KBSPL; KBSPL and / or any of its directors, employees will not be held responsible for Damages/losses due to such refusal or due to delay caused by such review.
2. Client code modification requests will be strictly accepted only to rectify genuine error in entry of client code at the time of placing /modifying the related order; consequently dealers are expected to take utmost care/precaution while execution of client trades.
3. As per SEBI circular dated July 5, 2011 on client code modifications, penalty will be levied on all client code modifications w.e.f. August 1, 2011 (including genuine errors).
  - a. Error due to communication and / or punching or typing such that the original client code / name and the modified client code / name are similar to each other.
  - b. Modification within relatives (Relative for this purpose would mean 'Relative' as defined under sec. 6 the Companies Act, 1956).
4. KBSPL will allow Modifications in the client Codes of Non-Institutional clients only for the following objective Criteria provided there is no consistent pattern in such modifications:
5. For easy identification of "ERROR ACCOUNT", KBSPL have registered a fresh Client Code CZ001 as KREDENT BROKERAGE SERVICES PRIVATE LIMITED (ERROR ACCOUNT) in Back office & same has been uploaded in the UCC database of the Exchange.
6. Any transfer of trade (institutional or non-institutional) to "ERROR ACCOUNT" of KBSPL would not be treated as modification of client code and would not attract any amount of penalty, provided the trades in "ERROR ACCOUNT" are subsequently liquidated in the market and not shifted to some other client code. Client Code Modification requests through "ERROR ACCOUNT" will be accepted only till 3:30 PM 1ST.
7. All cases of modification of client codes of non-institutional trades executed on the Exchange and not transferred to KBSPL "ERROR ACCOUNT", shall be liable for a penalty of 1% of value of non-institutional trades modified if value of non-institutional trades modified as a percentage of total value of non-institutional trades executed is less than or equal to 5% and penalty of 2% if modification exceeds 5%, in a segment during a month.
8. The levy of penalty is a precautionary measures and management has sole discretion whether to levy penalty or not.

The KBSPL shall conduct a special inspection of the concerned Dealer! Associate, if modification\*<sup>n</sup> exceeds 1% of the value of trades executed during a month and take appropriate disciplinary action, if any deficiency is observed.



## Internal control

### 1. Details

- Date of starting of business: 03/01/2000
- Background of company: Enclosed

### 2. Client Code Modification:

- Reasons for the modification of client codes  
-N.A
- Ratio of modification of client codes done at Head office vis-à-vis other offices  
-N.A
- Details of authorized representatives for approval of client code modification w.r.t. error trades.  
-N.A
- Measures taken to reduce the modification of client codes.  
-N.A
- Whether the trades have been modified only for the objective criteria allowed by the Exchange?  
-N.A
- Whether securities taken into ERROR A/c are liquidated in the same A/c?  
-N.A

### 3. PMLA

- Compliance w.r.t. Principal Officer, appointment of Designated Director under PMLA and adoption of written policy.

**Mr. BINAY BAJAJ** is appointed the **Principal Officer** who will look after and shall guide for Prevention of Money Laundering. The thrust for the implementation of Anti Money Laundering Policy is on the following.

**Designation** of a sufficiently senior person as 'Principal Officer' as required under the Prevention of Money Laundering Act.

**Customer Due Diligence/KYC Standards**

**Monitoring of transactions** for detecting suspicious transactions

**Reporting of suspicious transactions**

**Ongoing training of employees**

**Audit/Testing** of AML Program

Mr. Binay Bajaj is appointed as Designated Director under PMLA

- Whether KYC and AML policies have been reviewed in line with SEBI Guidelines?  
*Yes the same has been reviewed inline with SEBI Guidelines*
- Measures taken with regard to Anti money laundering Act  
*The Anti Money Laundering program is subject to periodic audit specifically with regard to testing its adequacy to meet the compliance requirements*
- 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.  
Classify both the new and existing clients into high, medium or low risk category depending on parameters such as the customer's background, type of business relationship, transactions etc. We should apply each of the customer due diligence measures on a risk sensitive basis and adopt an enhanced customer due diligence process for high risk categories of customers and vice-a-versa
- Alerts for the same generated or not?

- Alert for the same is generated
- Any Suspicious Transaction Report (STR) sent to FIU
- No Suspicious transaction report sent to FIU
- Risk categorization of clients.  
Risk is an event which can prevent, hinder or fail to further or otherwise obstruct the enterprise in achieving its objective. Risk can cause financial disadvantage, it can result in damage, loss of value, and/or loss of an opportunity to enhance the activities. It is the probability of occurrence of an event and the financial impact of such occurrence to an enterprise. Some of the factors determining risk are nature of the business activity, trading turnover, manner of making payments, manner of transfer of securities, etc.

As the risk associated with clients trading, we categorize the risk in 3 categories:

- (i) High Risk Associated Client,
  - (ii) Medium Risk Associated Client,
  - (iii) Low Risk Associated Client
- 
- Enumerate the steps taken to verify the identity of persons who beneficially own or control the securities?  
*-Beneficial ownership is determined on the basis of the clients' Shareholding / Sharing Pattern. Also to determine as to who is the beneficial owner we take into consideration the SEBI circular for determining beneficial ownership. The same is also stated in our PMLA policy.*

#### **4. Introduction/Registration of clients**

- Basis of accepting as client
  - a) To cover customer identification and verification depending on nature /status of the customer and kind of transactions that are expected by the customer.
  - b) To comply with guidelines issued by various regulators such as SEBI, RBI etc.
  - c) For clearly establishing identity of the client, verification of addresses, phone numbers and other details.
  - d) For verifying the genuineness of the PAN provided by the client such as comparing with original PAN, checking details on the Income tax website etc.
  - e) To check original documents before accepting a copy
  - f) Clear processes for introduction of clients by members' employees.
  - g) Risk based KYC procedures should be adopted for all new clients.

- Procedure for In-person verification of clients and maintenance of proof for the same, specifically in respect of out station & sub-broker clients
  - *The process of in-person verification is conducted by our own staff while registering the clients. The date of verification, name and signature of the official who has done in-person verification under the stamp of member duly incorporated in the client registration form.*
  
- 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 , a copy of the clients registration documents are given to all the new clients. A copy of the registration documents are also provided to the existing clients on demand basis. UCC & Email ID are communicated to the clients.*
  
- Do you outsource client registration modalities?
  - No any outsourcing of client registration modalities is done.*
  
- Do you entertain walk in clients? If yes, what are risk mitigation measures taken in dealings with such client.
  - No we do not entertain any walk in clients.*
  
- Process of record keeping and retrieval of client registration document.
  - KYC's are provided to the clients and are obtained after duly filled up by the clients along with all the required documents. The said KYC's are kept locked under the supervision of directors. Apart from that a KYC register is also maintained and new clients are recorded within it.*

## **5. Uploading of KYC documents to KRA :**

- Specify the name of the KYC Registration Agency ('KRA').
  - CDSL Ventures Limited*
  
- Procedure followed for uploading the details of KYC to KRA. Also furnish a copy of operational manual, if available, in this regard.
  - *We obtain the KYC Application form along with supporting documents for Proof of Identity and Proof of address of the new clients, if not already registered with KRA. Then we compare and verify the same with original of the clients. After in person verification of the proof the same are uploaded by scan in PDF to the KRA site and the same are also dispatched to KRA within the time limit.*
  
- Clients account opened based on the client's details downloaded from KRA system? In such case of download of KYC from KRA system, how the responsibility for KYC of clients is met as per Regulation 16 of SEBI (KRA) Regulations, 2011.
  - *In case of download of information from KRA system, if any subsequent change of information comes to our notice, details of the same and documentary evidence of the same is taken from the client and the same is uploaded to the KRA system and relevant documents are sent to the KRA. Information downloaded from the KRA system is kept at secured place and entrusted with only the designated executives of the compliance department so as to avoid misuse of the information. However No Client code opened during inspection period*

- As regards foreign investors, furnish the status of compliance along with supporting data/facts regarding compliance of the following circulars: SEBI circular no. CIR/MIRSD/ 11 /2012 dated September 5, 2012 and CIR/MIRSD/ 07 /2013 dated September 12, 2013  
*-We do not have any foreign investor client opened with us till date.*

## **6. Funds:**

- System of pay in and pay out of funds from / to clients  
*-Payin and payout of funds are done in accordance with the rules of the exchange.*
- System & source of pay in and pay out of funds in case of Own trading  
*- Payin and payout of funds are done in accordance with the rules of the exchange.*
- Procedure of Margin collection, if any from clients & maintenance of records thereof  
*- The company transact on behalf of clients in Cash & F&O. On the basis of the risk, study of the RMS department and management policies, margin are collected from the client as and when required. The Client Margin ledger are maintained.*
- Any funding is done to the clients  
*- No funding is done to the clients.*
- Credit / transfer of Dividend to the clients / own dividend  
*- The company pays all the dividends received on behalf of clients within 90 days of the receiving the same. The client dividend account is nullified every month to see that client dividend is credited to respective client account.*
- Procedure followed in case of default by client/ sub broker's client  
*-During the inspection period no such instances found.*
- Payment to sub brokers / remisiers  
*- Since there are no sub brokers/ remisiers so no payment made to them*
- Any third party transfer of funds? If yes , policy in this regard  
*- No third party transfer funds are allowed.*

## **7. Terminal**

- Procedure of accepting & placing of orders  
*-The client places the order to the specified dealer either over phone or verbally and the specified dealer places the order on the terminal.*
- Factors determining the trading limit for each terminal / client  
*-The limit setting of the terminals is decided on the basis of the funds margin and securities value given to the member. Every terminal has a specific dealer and every dealer is assigned his own set of clientele who has to cater to.*
- Control over operator to ensure that he is entering authorized trades only  
*- The transaction entered through every terminal is overlooked by the RMS department/compliance officer. Proper checks and analysis of trades done are on daily basis. Hence the possibility of terminals being used for unauthorized purposes is negligible.*

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

## **8. Contract Notes**

- Whether printing of contract note is centralized? If not, Place from which CN are printed.
  - We have a centralized system of issuing of contract notes.
- Procedure for printing CN in case of outstation clients / sub broker clients
  - We have a centralized system of issuing of contract notes which are send from the head office. We provide ECN facility to the clients who wish to receive ECN via e-mail at their registered email id.
- Basis of numbering
  - The basis of numbering is done yearly wise.
- System for maintaining duplicates & acknowledgement for CNs
  - *Duplicate contract notes duly signed by clients are kept as proof of delivery for physical contract note. In case of ECN the mail log is kept.*
- Whether consent for change in e-mail id is obtained through physical letter from the clients?
  - *Yes, we obtain consent for change in e-mail id through physical letter from the clients*

## **9. Securities:**

- System of pay in and pay out of securities from / to clients
  - System of pay in and pay out of securities are done as per the exchange norms.
- Separate Own Beneficiary Account maintained or not
  - Separate Own Beneficiary Account are maintained.
- Separate Client beneficiary account maintained or not
  - Separate Client Beneficiary Account are maintained.
- Client wise segregation of securities maintained or not
  - Yes Client wise segregation of securities are maintained.
- Procedure for check on Third party security transfer/ acceptance
  - *No we do not accept any third party security transfer.*
- Procedure to ensure that client's securities are not mis-utilised for own purposes or for any other client.
  - *The settlement of Funds/Securities mainly deals with Mechanism of pay-in & pay-out of funds and securities. When shares are sold by client, client transfer the shares generally within T+1 day & shares are transferred by us in pay-in date. Funds are transferred by exchange in pay-out date & we transfer the fund to client within 24 hours of pay-out of funds from exchange. However clients who trade regularly has the option of keeping running accounts, as per their running account consent. When shares are purchased by client, Exchange automatically debited our settlement account in pay-in date and client generally makes the payment to us in pay-in date. The shares are generally transferred to the client within 24 hours of pay-out of securities from exchange.*

*The quarterly statement of accounts are generally done through running account mechanism which the clients opts for generally on quarterly basis.*

## **10. Monthly/Quarterly Settlement**

- Details regarding the policy and procedure adopted for settlement of running account
- Whether inter-client adjustments are done for the purpose of settlement of running account.
- If the securities/funds are retained towards obligations including expected margin obligations, what are provisions in this regard followed by the stock broker?

## **11. Statements of Accounts**

- Whether statement of accounts for funds and securities are issued on monthly or quarterly basis.
  - *The statement of accounts for funds and securities are issued on quarterly basis.*
- Whether the statement explains the retention of funds/securities and the details of the pledge.
  - *The statement explains the retention of funds/securities and the details of the pledge, if any.*
- Whether statement of accounts is issued from the branches/sub-broker's office/authorized person's office. If yes, the procedure followed for issuance and the maintenance of the duplicates and proof of delivery.
  - Statement of accounts are issued from head office and a copy of the same duly signed by clients are kept as proof of delivery
- Whether statement of accounts are issued physically or digitally?
  - *Statement of accounts are issued physically to the clients.*

## **12. Execution of POA (Power of attorney) (if applicable)**

**- NOT APPLICABLE**

- Please specify in whose name POA has been taken (trading member, its employees or representatives or sub-brokers) -N/A
- Process adopted for execution of POA- N/A

## **13. Opening & closing of branches**

- Procedure adopted for opening & closing of branches
  - Directors visit the place before opening or closing of branches.
- In case of closure of branches, how and when do you communicate existing clients?
  - In case Client transaction are made at branch office, the branch closure is intimated through the letter to clients.

## **14. Closure of client accounts / dormant account**

- What type of documentation (both inward and outward) undertake for closure of account.
  - We generally take a request letter from our clients intended to close his account & after verification with our accounts department, we close the account & intimate the client about the closure of account.
- In case of dormant account (six month), what extra caution taken before execution of trade in such account

- Before permitting the said client, we, depute our official to his address to verify all the records which he had submitted at the registration time. After satisfying our self with all angle, we allow the client to trade further.

- Procedure adopted in case of very old dormant account (2 years old)
  - We do not have such very old dormant account. In this respect, before allowing the client to trade, we, take all the documents which are required for registration purposes afresh & after satisfying with all angle, we allow the client to trade further.

#### **15. Receiving and Execution of Orders**

- Mode of order acceptance at HO/Branches/Sub-brokers office/AP's offices
  - The acceptance of order are done either over phone or verbally.
- Any document is maintained for the clients who personally walk into the office and place the order?
  - We, do not entertain any walk in clients into the office.
- System for identifying authenticity of caller when the order is placed through telephone.
  - We used to allot client wise employees. The employees verifies the clients from their voices. Again for new clients, for confirmation, some specific question such as Mothers Maiden Name, date of birth etc. are asked for & after such verification, order are taken before punching sauda.
- Mechanism put in place to limit the cumulative value of unexecuted orders from the terminals?
  - We have three types of front office software i.e. Exchange provided software, Exchange empanelled vendor's software and In-house software through which orders are placed. In the case of first two types of terminals the cumulative value of unexecuted orders are set by the exchange and are done accordingly. In case of In-house vendors terminal id we set the order limit and ensure that the unexecuted orders are within the limit.

#### **16. Portfolio Manager**

- Whether Trading Member acting as a portfolio manager?
  - No
- Procedure for client registration, order execution, contract notes issuance and settlement mechanism followed for the same.
  - Not Applicable
- Whether any of the client of the TM is acting as a portfolio manager?
  - Not Applicable

#### **17. Brokerage Charged**

- Brokerage schemes provided to the clients?
  - *Yes copy of the Tariff Sheet containing the brokerage are provided to the clients.*
- Elaborate on the schemes provided?
  - *The Client shall pay to the stock broker brokerage and statutory levies as are prevailing from time to time and as they apply to the Client's account, transactions and to the services that stock broker renders to the Client. The stock broker shall not charge brokerage more than the maximum brokerage permissible as per the rules, regulations and bye-laws of the relevant stock exchanges and/or rules and regulations of SEBI.*

#### **18. Client Margin Information**

- Process for evaluating exposure to be given to the clients?

- Client funds are received in the designated account and from thereon are used for giving the margin limits as well as meeting their pay-in obligations in various segments/exchanges. Securities received from clients are kept in separate account and are not deposited with exchanges for creating collaterals. Further margin limit, equivalent to the post hair-cut value of securities, is given to the client. Each client is given exposure based on their respective balances only and it is ensured that the margin of one client is not utilized by the other client.

- Whether client margin information is sent to the clients?  
-Client margin information is sent to the clients
- Whether it contains all the required information as prescribed in the circular?  
-Yes, it contain all the required information
- What is the mode of informing to clients?  
-Client Margin report is sent to client on his e mail id as per mandate given by the respective clients.
- Whether proof of delivery/dispatch is maintained for the above purpose.-  
-Logs for mail sent to the clients for margin/ECN sent are kept

#### **19. Collection and reporting of margins**

- Details of the policy and procedures adopted for collection of margin from the clients and details regarding the methodology adopted (separately) for calculation of value of margins received from the clients.

*Client margin are collected in the following form as per the details mentioned alongside each of the forms -*

- a. *Funds – Received through Cheque/RTGS from client’s own bank account only. Pre-funded instruments are accepted only in exceptional cases if submitted along with certificate from the issuing bank regarding the client’s account*
- b. *Securities – Received from client’s own demat account. As per the approved list from the exchanges from time to time. Appropriate hair cut is applied thereon as per the exchange prescribed norms for determining the margin benefit.*
- c. *Mutual fund units – Treated similar to the securities above*
- d. *Government securities / T-Bills – Treated similar to the securities above*
- e. *Bank Guarantee/Fixed deposit - BG/FDR can be taken from clients for a minimum of 90 days period and shall be necessarily drawn on client’s own account. No such instruments have been received from client during the inspection period.*
- f. *Power of attorney – Not accepted*
- g. *Other instruments/types, please specify, if any – None*

*Span Margin is collected on an upfront basis from the clients. Other margin, if applicable, is collected from the client as and when necessary*

- Explain the system in place to verify whether the list of collaterals which cannot be considered as margins as specified by stock exchanges are not taken in to account while calculating margins of the clients?
  - *Collaterals not approved by exchanges for taking as margin from clients are not accepted from the clients. In case the client transfers such collaterals, value of such collateral is not considered for margin purposes. List of approved collaterals is updated regularly from exchanges’ website*



- Give details of the process adopted for reporting of margins collected from clients to the stock exchanges viz upload of margin file, timelines for such upload, correction in margin file uploaded etc
  - Margins are collected from clients and the same are also reported as per the norms of the exchange on daily basis in the server provided for the same by uploading the relevant files as per the time limit provided by the respective exchanges. If some correction/errors in margins are found then subsequent files are uploaded into the server of the exchange as per the time limits provided by exchanges.
  
- Whether have a system to verify / ensure that the margin reported are actually collected and available with broker? If so give details.
  - Margin files uploaded to the respective exchanges are prepared from the back office software containing the client's data. Processing of feeding the client data into the software is executed by 2 separate teams. All files related to exchange, details of client's trades and margin is uploaded by the operations team whereas the details of transactions between client and the broker (viz funds/securities payout) is done by the backoffice team. Two teams work independently. Final files uploaded to the exchange server is generated from the software and verified by the operations executive for its correctness.
  
- Whether a system in place to monitor the short reporting of margins from the clients and verifications / checks and balances for correct reporting of margins collected from the clients? If so give details.
  - Margin account of the client is updated on as is by the back office team. The same is verified by the Senior executive of the back office team. Further, file generated at the end of the day is again verified by the operations executive against the margin file generated by the software for the correctness of client's margin figure.

## **20. Risk Management policy w.r.t. CDX**

- Whether Risk Management policy is in place to check appropriate internal controls are in place and is certified by the statutory auditor?
- We have Risk Management Policy, a copy of the same is attached as per Policy section of Annexure 2

### **Policy for Risk Management & Surveillance**

Primary Responsibility for Risk Management at client level shall vest with Branch Manager/Authorized Person. KBSPL shall manage the risks of clients of a Branch! Authorized Person by formulating and implementing a Risk Management System at Branch! Authorized Person level and if required KBSPL will also monitor the risks at client level. We have margin based automated 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. In case of exposure taken on the basis of shares margin the payment is required to be made before the exchange pay in date otherwise it may be liable to square off after the pay in time. The Sub Broker and client limit is predetermined. The client limit is fixed as per the Ledger balance in line with respective client's trade history/experience, if available, his financial capacity and/or credit worthiness and referrals. If required and to exceed the limit, permission of higher authority is generally required. As a part of our risk management system, our team also monitors the exposures of clients / branches / authorized persons on real-time basis. During market fall, we observe the position of respective client as well as branch like his credit balance available with us, securities lying with us etc. and depending upon the same, we allow them to transact or create the position or to extend / subtract their position. At the same time, we have to consider respective client's trade history/ experience with us, his financial capacity and/or credit worthiness and referrals. In case, there is debit balance, client is required to provide sufficient margin / securities /funds to carry out his request for fresh buying or to create fresh position.