

## PROCEDURES FOR INTERNAL CONTROL

The operations of the company are on small scale and the company has a very strict system of analyzing the clients and only if the client meets the various parameters, then only an account is opened. The risk management systems considering the current operations of the company are:

1. The clients are given application forms for being appointed as a client only after they have met the director / sub-broker / Authorized Person through whom the client has approached us for opening an account.
2. The client registration team of the company personally meets the clients and assesses the financial position, risk appetite, investment objectives, past credentials, qualification, current working position, etc. The feedback of the same is made and given to the management Committee for clearance. After the same is found to be proper by the management Committee, the permission for forwarding the Know Your Client form along with the agreements and various requirements is given to the client.
3. Every client is designated a proper dealer, and 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 analyze the capability, the risk appetite and the investment pattern of the client so that proper risk assessment can be made considering the client.
4. The completed form is then received and only after proper verification of the documents and checking the genuineness of the person, the account is opened.
5. The clients are personally known to the director / sub-broker/ Authorized Person and the overall exposure is determined for the person on the basis of the financial capability and on the money lying with us in the client ledger account.
6. In case of large value transactions, the clients are at times insisted on giving advance money / securities as may be required.
7. 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.
8. 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 shares from other persons DP account.
9. The exposure with respect to every sub-broker & dealers terminal is controlled through the office risk management team at client level. In case of sub-brokers having direct terminals the exposure limit is defined through Admin terminal Situated in Head Office to control the maximum risk exposure of the client.
10. The risk management team regularly assesses the trades being executed by the clients / sub-brokers 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.

## **Policy for Internal Controls on receipt of third party Funds and Securities**

### **Securities:**

Our software has a pop up if a script comes from an account other than the client's account which is recorded with us.

In case we receive shares from a third party the same will be returned to the beneficial owner forthwith.

In the event shares are given at the last minute, but come from a third party and are locked for pay in, the client will not be given the cheque for the credit. The shares will be repurchased and returned to the original owner.

In the case of co-ownership holding, clients are instructed to deliver only from their first named accounts. Some exceptional exceptions maybe made within the same family e.g. Husband-wife, mother-son etc.

### **Funds:**

Due to the small nature of operations bulk of the cheques are received in the HO for deposit.

Third party cheques are never accepted and all cheques deposited are scrutinized for name & a/c no. of the client with the bank master.

Only a handful of client deposit cheques directly. These are known clients and have been our clients for years.

On receipt of a credit in our HDFC a/c. HDFC Bank traps the account no. of the depositor in case of HDFC cheques.

Cheque no. serial is also closely followed for clients who deposit cheques directly. Incase of doubt a photocopy of the cheque is asked for.