POLICY ON INTERNAL CONTROLS

1. **Details**

i. Year of commencing business : 2000

ii. Background of company : The company was formed as a wholly owned subsidiary of erstwhile Madras Stock Exchange Ltd. and initially took membership in BSE and thereafter commenced NSE trading operations from 2015 and MCX trading operations from 2019. The company is also a Depository Participant of Central Depository Services (India) Limited.

2. **Funds:**
   - System of pay in and pay out of funds from / to clients :
     The funds are accepted from clients through NEFT / RTGS / Cheques

   - System & source of pay in and pay out of funds in case of Own trading
     o No own trading undertaken

   - Procedure of Margin collection, if any from clients & maintenance of records thereof
     o Collaterals collected from clients are entered in the back-office system
     o Collaterals from clients can be in the form of cash or non-cash component

   - Credit / transfer of Dividend to the clients

     o Any dividend received on behalf of clients, corresponding entry will be passed in the respective client's ledger within the stipulated period.

   - Procedure followed in case of default by client / Authorised Person's client
     o No such instances were observed.

   - Any third party transfer of funds? If yes , policy in this regard
     o No third party transfers are neither allowed nor accepted

3. **DAILY GONG Trading Terminal**

   - Procedure of accepting & placing of orders
     o The dealers in the respective authorized persons' offices will place orders.

   - Factors determining the trading limit for each client
     o As per client's ledger balance
     o Other parameters / criteria would be client's risk profile, payment history and credibility

4. Contract Notes (CNs)

➢ Whether printing of contract note is centralised?
o We follow 100% ECN and only on request basis, physical contract notes are dispatched to clients

➢ Basis of numbering
o Financial Year start.

➢ System for maintaining duplicates & acknowledgement for CNs
o Physical maintenance and CDs given by Courier company.

5. Securities:

➢ System of pay in and pay out of securities from / to clients
• A major portion of Clients maintain their demat account with our CDSL DP and for the clients who have submitted specific PoA for pay-in, for such clients, securities would be drawn from the respective client's demat account and sent for Early Pay-in on T-Day itself. In respect of other clients, we ensure that securities pay-in is received on T+1 day itself.
• We have separate Beneficiary account (House Demat Account)
• The system gives us track of entire transaction and it is segregated client-wise and scrip- wise

➢ Whether Clients' securities maintained with Member
• Yes

➢ Procedure for check on Third party security transfer/ acceptance
• The system does not allow any third party acceptance. DP Id and client ID is mapped in back-office only after verification of ownership of the account

➢ Policy to ensure that client's securities are not mis-utilised for own purposes or for any other client.
• The DP System does not allow any manual entries for movement of securities with respect to the client account ids or change of client names. All slips are generated by the system without manual interference.

6. Introduction / Registration of clients

➢ Basis of accepting as client
• Clients are mobilized by Sub-brokers / Authorised Persons and verification of PAN card, Barred entity list, and financial status are checked thereafter
➢ In-person verification of clients is done by sub-brokers / authorized persons and the company shall maintain proof for the same.
• In-person verification signature of the sub broker / authorized person is taken.
➢ Client Registration Documents (CRD) are given to clients and to existing clients, on demand. Also UCC & email ID is communicated to clients.

7. Internet Trading

- Prior approval is taken from BSE, NSE and MCX
- We have an arrangement with Intellect Software Solutions Pvt. Ltd. to avail Internet, Mobile App and Desktop trading terminal facility.

8. PMLA

- ➢ Compliance w.r.t. Principal Officer and adoption of written policy.
- o Yes
- ➢ Measures taken with regard to Anti money laundering Act
- o Yes
- ➢ 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.
- o Any unusual pattern of trading noted is generally queried with.
- ➢ Alerts for the same generated or not?
- o System generates cross trade records as of now. Since the volumes are not huge we have not built in a system to check with the bhavcopy. Currently we do the same manually.
- ➢ Any Suspicious Transaction Report (STR) sent to FIU
- o No
- ➢ Risk categorization of clients.
- o Manual