

SANTOSH KUMAR KEJRIWAL SECURITIES PVT LTD

INTERNAL CONTROL, POLICY & PROCEDURES

1. Introduction

Santosh Kumar Kejriwal Securities Pvt Ltd a body corporate, registered under the provisions of the Companies Act 1956, is a SEBI registered broker of the National Stock Exchange of India Ltd. (NSE), Bombay Stock Exchange Ltd (BSE) Multi Commodity Exchange of India Ltd (MCX), Metropolitan Stock Exchange of India Ltd (MSE)

The company has adopted various policies & procedures for internal control measures & tools for compliance of various Acts, rules & regulations of the Exchanges.

A. CLIENT REGISTRATION POLICY

We have two sets of documents, Mandatory documents and non mandatory documents, mandatory documents contains the details of the segment(s) and exchange(s) where client wish to trade, contact no. preferably mobile no., email id, tariff sheet, Policies and procedures of the SKKSPL, Rights and obligation documents, Risk Disclosure Document, Guidance for DO's and Don'ts for trading on Exchange, Policies & Procedure must be receive by the client. Non mandatory documents contains running account authorization, PMLA declaration etc.

It is very important to take adequate details from the clients to maintain a record of the details of the clients. We take the PAN of the client to verify the details in KRA database, whether he is registered with any of the KRA Agency.

After verification, if the client is registered with any of the KRA Agency, we fetch the data from & verify the details taken from the clients. If the client is not registered, we collect self certified copies of all the required documents as per the checklist. i.e. PAN Card, Details of DP Accounts, Banks, Address proof, cancel cheque etc from individual clients

The required documents should be collected from the clients strictly as per the documents mentioned in the checklist.

Thorough checking by back office in charge including in-person verification, tallying the supporting documents with the original and interview of client.

After Signature of the Authorize Signatory/ Director on behalf of SKKSPL the new Client Code is allotted and uploading the client details to the NSE/CSE-BSE/BSE/KRA

On receipt of success report, accompanying the codes allocated to clients, the same is intimated over telephone. Further executed copies of all the documents are send to the client within a week.

The KRA duly filled with supporting documents is sent to KRA agency/ uploaded to the KRA.

Index of the Client registration documents (CRD) is maintained & update periodically with the financial data and/or any changes thereon.

Deactivation of Client Code is done on receipt of written request from the client with the reason thereof.

Financial capability of the clients is assessed depending on their turnover and is assessed at the end of each financial year. For this SKKSPL ensures to update the financial information of the active clients. Financial statements for all corporate clients who are active are collected along with the list of the directors and shareholders.

Walk in Clients: The company has decided not entertain walk in clients. Clients with proper references are entertained.

Financial Documentation: All clients are required to submit updated financial data, namely, their Balance Sheet, Salary Certificate. In case of re-activation of UCC, the clients are also required to submit written request. Clients, specially operating in F&O Segment are compulsorily required to submit their latest financial position every year without fail.

Maker & Checker Concept: The Company appoints different person for checking data submitted by client and data entered in computer for uploading to master file & the Exchanges. Even after uploading of data, the compliance officer checks the data entered from the system.

Marketing Division: The Company does not have any marketing Division

Closure of Client Accounts / Dormant Accounts: Client accounts are closed either by client himself or action initiated by the company. On receipt of written request from the client, the compliance officer deactivates the client code in its front & back office. CRD form is marked closed only after proper verification of client's ledger account & clearance received from accounts department regarding dues & margin. Moreover written communication is also sent to client accompanying closure of his account. Client's accounts are also closed on action initiated by the company in the following cases:

- a. If client fails to meet his obligation within stipulated time or time provided by the company
- b. If clients fails to provide proper documents as required under SEBI rules & regulations even after repeated request by the company.
- c. If client is declared fugitive under any law in India or abroad.
- d. If client is declared insolvent under any law in India or any criminal cases are filed or pending and such information is not disclosed at the time of registration with the company

e If client does not operate for full financial year or also fail to provide update the financial data to the company without any reason the company may marked as 'Dormant' and providing reasonable time to the client

B. TRADING POLICY:

Active Client master list should be uploaded in the NEAT/FAW/CTCL trading terminal and all the orders from the clients should be checked for the client codes in the list. This will ensure minimal wrong code punching by the dealers.

Dealers should be vigilant in executing the orders of the client. They should check & report to senior authorities / Compliance Officer if any client is giving order of abnormal quantity or rates.

Clients placing orders should be communicated every day after the market hours for trade confirmation. The clients should be asked for the settlement of their obligation before settlement date of the exchange. Every client must be attended by the staff allocated for the purpose and in his absence; compliance officer must ensure that client is attended by another dealer. Staff/ dealer should check the margin liability/credit limit of the client before executing any trade on his behalf.

Client code modifications are not allowed. No trades will be transferred to code other than entered in trading terminal after trading hours unless there is genuine mistake on part of the dealer of client mentioning the UCC at the time of placing the order. The trades can be transferred to the "Error Code" only with the specific consent of the compliance officer/management. Transfer of code can be done only by the 'compliance officer' during the allowable time frame by the exchange on system provided by it. This step will help us to trace any discrepancies in the trade as well as timely receipt of cheques and securities from the clients and provide better service.

Brokerage has been charged to the clients as consented in tariff sheet and within the maximum permissible limits prescribed by the exchanges/SEBI. For any change in brokerage (upward/downward) it is communicated to the clients in advance & revised tariff sheet should be consented accordingly.

Contract Notes, Daily Margin Statement, Quarterly Statements of Accounts and Register of Securities to Clients

1. All Contract Notes are physically sent within 24 hours from the trading date.
2. In addition to Contract Notes, Daily Margin Statement, STT report is dispatched to the clients within 24 hours. The clients are informed about their margin details with breakups in the form of, Cash, Collaterals (FDR, BG and securities) in the daily margin statement sent to them.

3. Contract Notes, Daily Margin Statements, Statements of Accounts for funds and securities are sent to clients in Physical Form only.
4. Contract Notes, Daily Margin Statements, Quarterly Statements of Accounts and Register of Securities are issued by the Head Office, irrespective whether the trade has been executed at the head office. The company follows centralized system of accounting and as such all documents relating to the clients are issued to the client from head office.
5. Electronic communication has not been commenced; it will be commenced with the specific consent of clients, management.

C. PAYMENT POLICY:

1. Payments to clients shall be made on Pay out basis i.e. within 24 hours of pay out (T+2 day or T+1 day as the case may be) if the client has not consented for the running account authorization.
2. For clients who are desirous of keeping the pay out money with us for future transactions can do so by submitting a letter to that effect mentioning therein to keep their account as 'running account and periodical cheques may be paid or received. However, the clients are required to settle their account once in every 90 days of first transaction.
3. Clients, who have debit balance in one segment and credit balance in other segment, will be paid only if their net balance is credit.
5. Margin Money to the clients will be returned only after adjusting debit balance, if any, in their account and/or if they have not defaulted in their obligation to deliver shares/securities.
6. Payments to the clients will be directly deposited in their account if mandate is given by them to this effect and they have account in the same bank, where the company has its account.

D. RECEIPT POLICIES

1. Cheques from clients would be accepted only from the client(s) bank accounts for which the details have been provided during client registration or later on any alteration has been done with the documentary evidences.
2. No third party funds will be accepted.
3. NO CASH PAYMENT IS ACCEPTED.

4. Clients are advised not deposit any cash/cheque directly to company's account. If any cheque is deposited by clients directly into our client account, then written intimation along with pay in slips will be provided to us. Otherwise credit will not given to client.

5. While receiving RTGS / NEFT from client it must be ensured that the same has been received from clients registered account only. Proper record of the UTR number should be maintained.

E. PRE-FUNDED INSTRUMENTS POLICY

If the aggregate value of Pre-funded instruments is Rs. 50,000/- (Rupees Fifty Thousand Only) or more, per day per client, we may accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The mode of certification may include the following:

1. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
2. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
3. Certified copy of the passbook / bank statement for the account debited to issue the instrument.
4. Authentication of the bank account number debited and name of the account holder by the issuing bank on the reverse of the instrument. We may maintain an audit trail of the funds received through electronic funds transfer to ensure that the funds are received from their clients only.

F. MARGIN POLICY

Capital Market Segment

Our clients are generally introduced by existing clients, dealers, proprietor, employees or person known to us. Generally we do not entertain walk in clients. As such risk of client default is minimized to that extent. Moreover as margin collection is not mandatory in CM segment, the same is not compulsorily collected. In this regard we follow the following policies:

- i) No margins are collected with clients having sound financial background, having good reputation in terms of cheque realization and where client exposure is not large.
- ii) Further clients who give their consent, we keep their shares purchased through us as margin in a separate constituent beneficiary account till they are sold by them in any subsequent settlement or they take return the same.

iii) We cautiously deal with those clients whose cheques realizations are poor.

Future & Option / Currency Derivatives Segment

No trading request will be entertained unless up front margin is received in advance for value of trade to be executed on behalf of any client.

If margin is accepted in the form of shares/securities, a hair cut will be applicable on the price at the end of the previous day closing price. All short fall will have to be met immediately by the client in cash or before opening of next trading session. Margin calls are made to clients however no letter or written communication in this regard will be sent to any client for shortage of margin. The client will be responsible for any shortage of his margin with us for his outstanding trades.

No complain will be entertained for squaring off of outstanding trades or liquidating of margin by the management in absence of short fall of margin at any stage by the client for which the proper margin call has been made. It will be sole discretion of the management to decide on 'spot' whether to square off outstanding trades of a client and margin be liquidated to meet the short fall.

Any amount payable on account of 'Mark to market' has to be paid in cash by the client before opening of next trading session. Amount paid must be in the form of clear bank balance given on the day of trade. If clear balances of margin/ MTM are not available, the management will at its sole discretion square off the trades of any client, which in its opinion can put the company or its other clients to unnecessary market risk.

G. SECURITIES

Collection of securities

Proper trail has been maintained that securities received from the clients for pay-in/margin purposes are from the respective clients DP account which are updated with the us along with documentary proof.

The statement should be checked with the securities obligation of the clients. Any third party delivery from the clients should not be delivered to clearing house.

The reports provided by Exchange should be used to check whether there is any short pay-in/ out of securities to/from Clearing house.

Delivery of Securities

The company will be making direct pay-out of shares to client account of which details are given Contract Notes

The direct pay-out file should be created by the back office software.

The instruction slip for shares delivery from the Pool account in case of client to client transaction or break delivery from the Clearing house should be signed by directors

Pay out shares shall be given to clients only when they have clear balance in their ledger account. (*the clear balance means that cheques issued by clients should have been cleared in bank.)

Shares of clients having debit balance will be kept with the company as hold back margin.

The hold back margin account will be reviewed in a week i.e. on Saturday and shares will be credited to the accounts of the client if they have clear balance during the time of periodic review.

H. INVESTOR REDRESSAL SYSTEM/ MECHANISM

- 1 The company is maintaining register for recording all complaints related to clients received either in person/ post/ email.
- 2 The company also maintains a designated email id for investor complaints, which is displayed on contract note and client registration documents and accessed by the compliance officer regularly.
- 3 The company has also kept complain register at its branches and the same are verified by the compliance officer or its team of official from time to time.
- 4 On receiving the complain, the Compliance officer is authorized to verify the details of the complaint and take proper redressal mechanism on its merit and write personally to the client of all action taken by him for satisfaction of the client.
- 5 If the compliance officer deserves the attention of the higher management or if the compliance officer is unable to dispose of the complain to the satisfaction of the client or the exchange or the SEBI, the designated directors are informed of the situation by the compliance officer and all documents are placed before them within seven days of the receipt of the complain.
- 6 The designated director's review the pending complains every seven days along with matters needed their attention.

I. POLICY FOR UNAUTHENTIC NEWS CIRCULATION

The purpose of this policy is to Protect Investors by avoiding/restricting the unauthenticated news circulation related to various scripts by the Company's

Employees/Temporary Staff or other dealing person and by company Infrastructure without adequate caution.

It has been observed that market news circulated through blogs/chat forums / email by employees without adequate caution can do considerable damage to the normal functioning and behavior of the market and distort the price discovery mechanisms.

As per code of conduct for Stock Broker in SEBI (Stock Brokers and Sub brokers) Regulations, 1992 and SEBI circular Cir/ISD/1/2011 dated March 23, 2011, all SEBI registered market intermediaries are required to have proper internal code of conduct to govern the conduct of its Employees. In view of same the company implements code of conduct for communicating through various modes of communication. Company Directors/ Officers /Employees/ Temporary Staff Voluntary Workers are prohibited from:

1. Circulation of unauthenticated news related to various Scrip's in blogs/chat forums/e-mail etc.
2. Encouraging or circulating rumors or unverified information obtained from client, industry, any trade or any other sources without verification.
3. Either forwarding any market related news received in their official mail/personal mail/blog or in any other manner except after the same has been seen and approved by the Compliance Officer.

Therefore all the employees of the organization including Directors/ Officers /Employees/ Temporary Staff /Voluntary Workers should follow internal code of conduct and controls of the company. Employees/Temporary staff/voluntary workers etc working in the office will not encourage or circulate and therefore restricted to circulate rumors or unverified information obtained from the client, industry and trade or any other sources without verification.

Access Control: There is no Access to chat forums/ Messenger sites to all the staff. Only senior officials including Directors, Compliance Officer and Manager have the access to the said. All the logs of such sites shall be treated as records and are maintained by the compliance officer. Any information or market related news received by staff in official mail or their personal mail should be forwarded only after the same has been seen and approved by the Compliance Officer of the company.

If an employee fails to do so, he/she shall be deemed to have violated the various provisions contained in SEBI Act/Rules/Regulations etc. and shall be liable for disciplinary action.

J. BACKUP POLICY

All important data backup is taken on daily basis. Backup is taken to prevent loss of data in the event of equipment failure or destruction. Backup Storage

There shall be a separate or set of storage for each backup day. The old data is kept for 7 days and after that the storage media is reused.

For Santosh Kumar Kejriwal Securities Pvt Ltd

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