

Reviewed on 01st July, 2021

INTERNAL CONTROL - POLICY & PROCEDURES

Date of making: 02nd April, 2013

Date of approval: 09th September, 2014

To be implemented immediately from the date of approval.

The below mentioned Internal Control – Policy & Procedure has been approved by the Proprietor on 01st July, 2021. All the employees are required to follow the same and take due care for its proper implementation.

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➤ **Introduction**

M/s Rajesh Baheti is a SEBI registered Commodity Broker to carry on its business as such, it is necessarily required to comply with various Acts, Rules, Regulations, Commodity Exchange Bye-laws, and Circulars etc. that govern RB's conduct of business. RB is a member of MCX since 22-07-2005 and is registered with SEBI having registration no. INZ000105910. RB has laid down certain procedures to ensure that its various business activities are conducted not only in conformity with the various regulatory requirements but also in a professional manner. All staff shall ensure adherence to these procedures governing their respective part of RB's business activities while discharging their duties.

Any non-compliance with the internal control procedures described hereunder may result in disciplinary action against the staff concerned. Staff shall also ensure that if they observe any breach/ possible breach of any of the procedures, they must immediately bring it to the notice of their head of department or Compliance Department or Proprietor.

➤ **Background of business:**

RB's business majorly comprises of:

Retail Brokerage: This activity consists of commodity brokerage income through small retail clients trading out of the company's offices in Kolkata and Mumbai. There are no active institutional clients, except for a brief period in 2010. Most of the clients are small/ medium net worth clients barring a few HNIs.

Proprietary trading: This activity consists of commodity jobbing / arbitrage/ delivery/ non delivery based trading which is undertaken by Proprietor's and dealers / jobbers employed/ contracted by the RB. Such trading activity is also carried out by Proprietor's Individual client accounts as well as those of group organizations.



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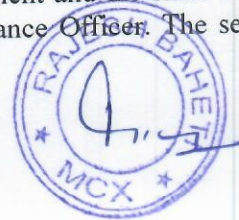
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➤ Internal Control Procedures Relating to RB's Business Activities

The internal control procedures relating the various business areas of RB are given hereunder:

a) Client On-boarding and Registration

- Persons are added as clients only after they have had a meeting with the Proprietor / employee of RB.
- The Application forms for opening an account are issued only when the management is satisfied with the client's financial capacity to trade in commodity market and after the prospective client provides the valid references for his account.
- A duly filled Registration Form along with Know your client form complying with the KYC requirements as specified by the SEBI & Exchange and are processed further on receipt of requisite documents like proof of identity, proof of residence, proof of bank account, KRA form, etc. from the clients.
- In-person of the client is done by the staff / proprietor of RB and a proof the same is maintained by signing on the proof of KYC document.
- Original documents are verified for the various photocopies submitted by the client
- The registration department checks for the KRA details and gets the same fetched from the KRA website or alternatively will do formalities for uploading the KRA details within the prescribed time limit.
- Walk-in clients are not entertained and only clients through reference are enrolled.
- The company has the policy of approval of all application forms by the Proprietor before allowing trading to applicant
- The details are entered in the back office software by the maker of the document. Further a senior person acts like a checker to see that the details have been properly entered in the back office software to avoid any issue in future.
- The financial capability of the client is assessed on the basis of the balance sheet, profit and loss, income tax return, wealth details, etc which shows the financial position. Last 2 years' balance sheet is taken from corporate clients. From the individual clients copy of IT Return is insisted or a declaration about their financial earnings &/or net-worth is taken on the basis of the management's level of comfort with such client.
- The clients are apprised about the risk disclosure document and are made aware of the contents therein regarding the risk associated with the securities market.
- Client Registration Document and relevant proofs shall be stored in physical form in sequential order of Client code. The same shall be retrieved as and when necessary with approval of Compliance Department.
- A copy of the Client Registration Documents (CRD) are given to the new clients at the time of registration & to the existing clients on demand. The UCC & complete set of registration documents are physically provided to the clients and a welcome letter informing them about their UCC.
- The client registration modalities are carried out in house and not outsourced.
- On the Basis of Risk profile of Client, which is done by Management/Sales Traders/ Dealers, Client is given limit for trading.
- All the formalities relating to client identification & verification are done in accordance with the Customer Due Diligence Process described under the RB PMLA Policy.
- With reference to updation of clients' financial information, clients are requested to send copy of their IT Returns & net-worth on a yearly basis.
- The documents with respect to the registration of the client should be maintained at the office and arranged sequentially as per the UCC code provided to the client and the same should be stored in cabinets under the control and guidance of the Compliance Officer. The sequential



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numbering and maintaining of the KYC at the office would make retrieval of client registration document fast & easy as and when required.

- Requests from potential or existing clients for information about RB shall be dealt with as follows:
 - A “family tree” showing the intermediate holding companies of RB may be requested from Compliance and sent to a client.
 - It is not the practice of RB to disclose its audited report and accounts or financial statements to outside parties. Any request from a persistent client must be routed through Compliance.
- Requests from existing or potential clients for a guarantee must be approved in writing by the Compliance Officer.

KYC (Know Your Client) Registration Agency [KRA] Registration:

KRA stands for KYC Registration Agency. It is an agency registered with SEBI under the Securities and Exchange Board of India (KYC (Know your Client) Registration Agency) Regulations, 2011.

KRA is required to avoid duplication in KYC of the investors. It facilitates single point change management. It helps to maintain uniformity of data across intermediaries. KRA helps to improve compliance levels.

- The new KRA system is mandatory from the 1st January, 2012 i.e. any new client who is registered after 1st January, 2012, the same client's personal details has to be submitted to the KRA.
- The organization has to get registered with any of the following agencies: CVL/ NDML/ DOTEX/ CAMS.
- The PAN number is the Unique Identification Number for KRA.
- For New Client registered with the Member:
 - The Clients PAN number is checked on the KRA web-site for the uploading his details. If the details are not found in the KRA data, the KYC details are uploaded to the KRA. The hard copy of KYC along with the supporting has to be submitted to the KRA within 10 days from the date of uploading.
 - The member has to verify the status of the said KYC. If he KYC is rejected then the reasons for rejections have to be complied with till the form gets cleared.
 - Proof of dispatch is to be maintained for all KYCs sent to the KRA in hard form.
 - In case if details are already uploaded to the particular clients, the details uploaded on the KRA have to be verified with the details with our new client documents provided to us. If changes found, the same has been modified on the KRA system and hard copy of the same to be submitted to the KRA.
- For existing clients:
 - PAN number and KYC details of Active clients i.e. clients who have traded in current period have to be uploaded on the KRA site. In such clients also the procedure for uploading is the same as new clients.

Central KYC [Know Your Client] Records Registry

Central Registry of Securitisation Asset Reconstruction and Security Interest of India (referred to as “CERSAI” or “CKYCR”), set up under sub-section (1) of Section 20 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of



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2002) to act as and to perform the functions of the **Central KYC Records Registry** by notification of Government of India dated 26 November 2016 , including receiving, storing, safeguarding and retrieving the KYC records in digital form of a “client”, as defined in clause (ha) of sub-section (1) of Section 2 of the Prevention of Money-Laundering Act, 2002.

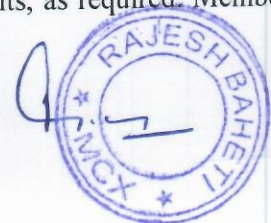
- RB shall register with CKYC registry in accordance with the processes and instructions issued.
- RB shall verify the identity of customer and perform initial due diligence of the customer while commencing an account based relationship.
- Where a client submits a KYC Identifier, RB shall download the KYC records from Central KYC Registry by using the KYC identifier and shall not require the client to submit the documents again unless-
 - there is Change in Information of the Client as existing records of CKYCR
 - The current address of the client is required to be verified
 - RB considers it necessary in order to verify the identity or address of the client, or to perform enhanced due diligence or to build an appropriate risk profile of the client.
- RB shall ensure that KYC data of customer obtained from CKYCR shall not be used for purposes other than verifying the identify or address of the client and shall not transfer KYC records or any information contained therein to any third party unless authorised to do so by the client or by the Regulator or by the Proprietor.
- RB shall perform proper due diligence for verifying the authenticity of the identity or address of the client while uploading and updating the information in respect of individual accounts opened on or after 1st August 2016 .

b) Limit Setting & execution of orders:

- With respect to limit setting & execution of orders in the various segments of the Exchange, the RB finalized the following policy and all the employees are required to take due care for its implementation.
- **Brief about Limit Setting:** Limit setting plays an important role with respect to the operation of the broking house and considering the risk associated for inputting trades in this electronic and dynamic market conditions the member should put limits for every client, every order, every branch, all terminals put-together, etc as may be applicable.
- The trading member should fix the limit which would indicate the maximum value of transaction that can be inputted through any order. Considering the dynamic structure of the broking house, RB authorizes the risk management team, to decide on the limit that can be set vis-a-vis every client/ terminal and the following limit controls are being implemented. The limits would be set for the following:
 - Quantity limit for each order
 - Value limit for each order
 - User value limit for each user ID
 - Branch value limit for each branch ID
 - Spread order quantity and value limit (Derivatives & Currency Derivatives segment)
 - User quantity limit for each USER ID for each segment
 - Market Price Protection Percentage

c) Reporting:

- As required by the Exchange the compliance officer of RB shall submit a certificate to the Exchange on quarterly basis certifying the above mentioned limits, as required. Members and



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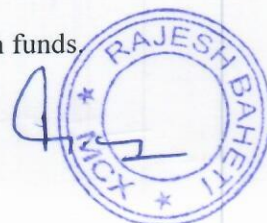
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employees of RB are requested to take utmost care while setting the limits so that no errors occur.

- The risk management department should control that the Cumulative value of all unexecuted orders placed from every terminals is below the threshold limit set by the RMS team considering the capital adequacy of the company.

d) Collection & Release of Payments to Clients

- Any money received or held on behalf of clients, is to be kept in a separate bank account titled "Client Account". Funds lying in this account cannot be utilized for any purpose other than for meeting clients' obligations.
- Some of the clients have given consent to the company to maintain their running accounts so as to avoid the trouble of receiving/ paying funds on a daily basis. As decided by the Risk Management Officer, in case of some clients, no trades are done until the funds are received in advance.
- RB collects and releases funds through banking channels i.e. Account Payee Cheques or RTGS only. (Ref. CIR/MIRSD/03/2011 dated 9/06/2011)
 1. Proper audit trail should be maintained while receiving funds from the clients. The company does not accept any Pre-funded instruments, however in case if required to collect such pre-funded instrument then the company will collect information to maintain details like the name of the Client, the Bank Account number, Certification through the collection of the following documents/ supporting as required to be accompanied along with the receipt voucher after proper due diligence:
 - A certificate from the issuing bank on its letterhead or on plain paper with the seal of the issuing bank
 - A certified copy of the requisition slip (a portion of which is retained by the bank) to issue the instrument
 - A certified copy of the passbook/ bank statement for the account debited to issue the instrument.
 - Authentication of the bank account debited and the name of the account holder by the issuing bank on the reverse of the instrument
 2. In case where funds are transferred by any client through Electronic Fund Transfer, following due diligence are required to be taken while accepting the funds:
 3. Name of the Sender or Bank Account Number is mentioned in Description column of Bank Statement in case RTGS / NEFT transaction.
 4. Also additional details was sought from Bank for RTGS/ NEFT credit containing Name of the sender, Bank Account Number etc which is kept for record purpose for audit trail.
- In case of pay-in, the cheques are collected on or before pay-in date of particular settlement & on receipt of cheques it is verified that the cheques are from client's Account only. Bank Account Numbers are entered in the Receipt Voucher & the same is compared with Master through system. All bank receipts which are not from client's Bank Account will be marked with "Third Party" flag by the Back office Software. After identifying such receipts necessary steps are taken by the Back office Department & the same is reported to the Compliance Officer.
- In case of pay-out, the company will release the payments of the clients either by electronic fund transfer or by issue of cheques. The cheques are either hand delivered to the authorized persons intimated by the clients or by courier to the client's correspondence address. In some cases cheques are directly deposited into client's account.
- In case of own trading pay-in/ pay-out funds are arranged through own funds.



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- Company is not doing any fund based activities such as funding to clients except where client fails to meet his pay-in obligation.
- In case of non-receipt of funds for a long time, then persuasion and follow up by the accounts team is done. In case of no response from the clients, a legal notice is sent for recovery of money from default clients. However, if the funds are not received even after legal notice then the amount is written off as bad-debts.
- The funds are collected only from designated bank accounts and no funds received from any other third party accounts are accepted / credited the clients account.

e) Collection & Maintenance of Margins

- No transaction is executed for clients until the Initial Margin has been collected from them. Funds or shares are received from the clients as Margin.
- The Company daily uploads the span margin file to the Exchange.
- In case of shortfall in Margins (which are very few), the clients are immediately told to reduce the position immediately or requested to deposit extra margin to meet the shortfall.
- The clients are regularly sent the collateral margin report updating them on their margin requirement and the margin given by them to the organization and the surplus/ shortfall in the margin, so that effective steps can be taken by the clients on the same.
- Any Penalty paid by the company to the exchange due to shortfall of margin of any client, will be recovered from the client by debiting the client's ledger through a JV and intimating the client by providing a copy of JV (manually or electronically), as a proof for the penalty charged to their account.
- The reporting of the margin to the exchange will be done by the back office department.
- The option of reporting the margin can be done upto T+5 days, however the back office department is authorized to do the uploading from T+1 day itself on the basis of the valuation of the total margin lying to the credit of the ledger plus the value of the other margin securities provided by the client. In case any corrections are required in the file due to dishonor of any client cheque, etc then the new file will be uploaded after due consultation and permission of the seniors and the last file uploaded will be considered to be the final file.
- The margin file uploaded is checked by 2 officials and then only uploaded to the exchange.
- The margin can be collected in through cheques, bank credits, fixed deposit, bank guarantee, Mutual Fund Units, Government securities / T Bills and approved list of securities and commodities. With respect to the securities and commodities that will be taken, haircut will be applied on the basis of VAR or as may be required by the exchange.
- RB has a system where the stocks or commodities not approved by the exchange will not be considered in collaterals calculation; however RB may retain the same for extra security.
- The accounts department periodically reconciles the total collaterals received from clients with the total securities available in the Client Margin Demat Account and to take care that there is no item pending in reconciliation.

f) Order Receipt and Execution

- The Organization setup is small and all the client are personally known to management, their financial position is known and the dealer is aware of the risk appetite of the client which helps in better control.
- The company has restricted the access to the dealing office only to the authorized persons who are dealers and sub brokers of the company.
- The approved clients are informed of the dealers who would be responsible for receiving, validating and entering the orders on behalf of them.
- The orders are received over phone, through recorded telephone lines, personal instructions when they are in the office.



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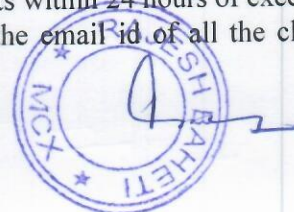
- To give better & personal service to the clients they are divided group wise among the dealers so that particular dealer can serve a particular group of clients which helps dealer to understand client investment strategy in a better way & serve them accordingly. The concerned dealers have access of back office system in which the clients balance positions are updated daily and on the basis of the same the exposure is determined by the risk admin department. In cases exceeding the normal trading pattern, the dealer contacts the front office head to decide on the trade. The orders are entered instantly as given by the client without any delay. The orders are inputted as informed by the clients and no discretionary power is used if the order meets the requirement of margin and other risk management parameters.
- Deal Slips are required to be time stamped when an order is received and also on execution of the order. Orders must be executed fairly and to the clients' best advantage.
- All orders must be recorded on a deal slip. Care must be taken to ensure that all relevant details are accurately and clearly recorded on the deal slip.
- All execution details must be recorded on the relevant deal slip. The deal slips (and any amendments/ cancellations) must be authorized by Head of Dealing/ Head of Equities. Reasons for amendments must be stated on the deal slips. Any amendments after handing over deal slips to operations must be recorded on the amendment deal slip which should be signed by Head of Dealing/ Head of Equities and countersigned by Head of Operations
- On execution of valid order into exchange system, dealers confirm the trade with the client so as to avoid any future dispute.
- At the end of the trading hours, the dealer once again informs the clients about the execution of the orders placed by the clients.
- After market hours, back office team informs the client about their executed trades for the day and also about their obligation towards Pay-in & Pay-out of funds for the particular day.
- The RMS software calculated the value of unexecuted orders in the given exposure limit of the client and if the exposure is reached then no new orders will be allowed to be entered.
- No staff shall deal in securities when in possession of information on client orders, pending transactions, pending research report or any other confidential information. This is a fundamental rule and any staff found to be acting in contravention of this rule will be liable to serious disciplinary action, including dismissal.

g) Recording System:

- Orders that are received over phone (recorded landline only) are recorded daily and the recorded conversation between the clients and the dealers are stored daily for easy retrieval and checking in future. The organization is using Voice Recording System and has a policy of taking back-up and storing the backup in-house as well as outside the office. All dealing telephone lines are voice recorded and any request to listen to a tape must be made to Compliance (in the prescribed form). Tapes must be listened to only by the concerned employee and Compliance.
- Client codes mapping over terminals are done using the RMS software so that the clients input their orders only through their authorized dealer & this also provides a control where only authorized dealer will be allowed to enter the client trades.

h) Sending Contract Notes, Daily Margin statement, Statement of Accounts to clients

- The processing and issue of contract note is centralized at the corporate office, Mumbai
- Auto numbering of the contract notes is done through the system and the contract note is initiated to 1 (first contract note) every year on 01st April.
- Contract Notes must be issued in the format prescribed by the Exchange.
- The organization sends contract notes and daily margin statements within 24 hours of execution of the trade (i.e. Within 1 day) by digitally signed emails to the email id of all the clients,



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including branch clients, who have an email id. All clients are required to have email id for receipt of e-contracts. M/s Rajesh Baheti does not enroll clients who wish to obtain physical contract notes. The quarterly statements are also sent electronically to the email id of the client.

- Daily Margin statement must be Sent to client on T+1 day
- Contract Notes must contain a disclosure whenever RB is acting as a Principal I respect of a trade.
- Contract notes & daily margin statement must be signed by authorized persons only.
- Time, order number and trade number must be printed on the contract note.
- The activity of sending contract notes, daily margin statement and quarterly statement of accounts to clients has not been outsourced to any person.
- The log reports are maintained for the documents sent electronically and in case of documents sent by courier the proof of dispatch (POD) is maintained and in case of hand delivery, acknowledged copies of the documents sent are maintained.
- Duplicate copies are not required as log reports are maintained for the electronically sent documents.
- In case of clients to whom contract Notes are sent electronically, the maintenance of log, client consent and copy of contract notes in maintained in non-tamperable form.
- In case of ECN, rejection if any then the same has to be physically delivered and acknowledgement by the client shall be taken.
- In case of any change in the e-mail id of the client then the same is considered only if a physical letter is provided by the client for change of email-id.

i) Securities/ Commodities:

- Client Securities or commodities should be segregated from RB's own securities. Client securities are not to be appropriated to meet RB's own obligations.
- All the shares lying in the Client Margin Account are segregated segment-wise & client-wise through Back Office Software & record of the same is maintained in Back Office Software.
- Proper segregation is maintained by Back office Software for own shares or commodities & clients' shares or commodities.
- Securities or Commodities details of clients are maintained in Back Office Software and the same cannot be used for other client/ own purpose. RB has system where control to check that client's securities are not misutilised for own purposes or for any other client is done. At any point of time, the sum total of the script-wise total for all the clients will tally with the stock held in the client margin / client demat account.
- The Back Office Software while uploading / importing the DP data with respect to the receipt of the shares checks the details from where the shares are received with the DP information as provided by the client and in case if any receipt has been received from other than the information as maintained in record then enquiry is made regarding such Third party security. If the receipt is from the clients another demat account, then proof for the same is called from and the client master data updated with the new demat account. In case if the same is received from a third party then the same is returned back to the same DP id.

j) Statement of Funds, Securities & commodities:

- RB sends statement of funds, securities & commodities as per the option selected by the client. However as a practice, the Company sent the statement of Funds, Securities & commodities on quarterly basis. The Statements are sent to the clients electronically/ physically, as applicable, and proof of delivery is maintained by the Company.
- The statements are sent electronically through the corporate office



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j) Opening & Closing of Branches / Sub-broker Office

- Before starting any Branches office the brief survey is done about the location the area of the office. Whether all the connectivity is available over there or not. However proper due diligence would be carried out. Further the document of responsibilities will also be made detailing the duties and right of the branch in-charge & sub-broker.
- In case of closure of a branch / sub-broker office the company would give a 30 days prior notice to the clients in writing or by telephone, requesting them to work at another branch/ head office and carry out their transactions.
- Compliance officer along with the back office team shall be responsible for uploading of necessary information of branch office(s) with the Exchange(s) and wherever required.
- Name of the company, SEBI Certificate and other required details as per Exchange norms shall be displayed at the branch office.

k) Inspections

RB shall inspect its branches on yearly periodic basis. The inspection shall cover following areas:

- No advertisement on his own or on behalf of the Member has been issued without taking permission from member.
- No trading terminals have been extended outside the approved location in any manner whatsoever outside the premises for which they have been approved by member
- The member screen/ trading terminal is being operated by approved users only, in whose name the same is registered.
- No payments have been accepted in cash in the name of associate or member. Also no cheques/ DDs have been accepted in name of associate.
- All the cheques have been received from genuine clients only & from respective designated bank accounts of the clients in whose account there is a debit and not from third party.
- Investor Complaints register has been maintained and being regularly updated. Proper steps have been taken to resolve the same.
- Whether any illegal or unauthorized activity is being carried out at the said location

In case of any irregularities found during the Inspection, the same shall be reviewed and necessary correction steps shall be taken by the compliance officer in consultation with the proprietor.

l) Closure of Client accounts/ Dormant accounts

- As a company policy, clients account once opened are not closed normally, although the client may not trade at all over a long period of time.
- Any client desiring to close account is required to inform in writing and the decision in this regard is taken by the management. After necessary approval from the management, the client code is deactivated. Only after scrutinizing the compliance requirements and "no pending queries" confirmation is taken, securities and funds accounts are settled. In case of closure of dormant accounts, the compliance officer checks in case trades are executed in such accounts and the account is checked for funds and securities settlement to avoid chances of errors, deliberate or otherwise.
- Clients who voluntarily close business are settled in total but the UCC allotted to them is not reissued to others.
- An account that has not traded for twelve months shall be considered as dormant account.



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- In case of an order is received from a dormant account, then an enquiry is made about their non-trading in the share market & only on receipt of satisfactory reply and after submission of the KYC documents the account is reactivated.. Additionally, updated financial information & other details are called for, if felt necessary. After receiving necessary documents, details etc. and approval from the management, client is reactivated & is allowed to carry out the transaction.

m) **Brokerage on Transactions:**

Maximum brokerage should be 1% of the Contract Value. The brokerage may vary for delivery & non-delivery transaction & also for various different segments. The company does not run any brokerage scheme to its clients.

- **GST** at the applicable rates must be levied on brokerage.
- **STT**: STT at applicable rates must be levied on transaction value.
- **Stamp Duty:**

For Clients having address **other than** Gujarat & Madhya Pradesh, Stamp Duty is calculated as applicable in the Maharashtra State under The Bombay Stamp Act, 1958 for transactions in equities and derivatives segments:

- a. @ 0.01% of contract value for delivery based transactions and
- b. @ 0.002% of contract value for transactions squared-off during the settlement period.

For Clients having address in Gujarat & Madhya Pradesh, Stamp Duty is calculated as applicable in respective state.

n) **Monthly/ Quarterly Settlement**

- The company does monthly/ quarterly settlement of funds/ commodities of the clients. The running accounts of the clients are settled on quarterly basis. The retention report is sent to the clients at the time of settlement of the account giving the details of any funds that have been retained to meet any margin requirement. The POD for the sending of the retention report and the statement of funds & securities sent to the clients is maintained.
- The statement sent for the retention of funds provides the details of all the funds provided by the client.
- No inter-client adjustments are done for the purpose of settlement of running account.
- The member has proper mechanism of calculating the retention funds details in which the funds retained towards obligations including expected margin obligations are calculated and the same is also provided to the clients.
- The clients as authorized by SEBI have also given the member the authority to retain a sum of Rs 10,000/- in their account for future trades.

o) **Segregation of funds and securities / commodities**

- The member maintains separate bank/ demat accounts for maintaining separately the client funds / securities / commodities and proprietary funds/ securities/ commodities.
- The funds from the clients are received only the Client designated Bank account and similarly the clients are paid the funds only from this Client designated Bank account. In cases where the client commodities are required to be retained by the client due to non-payment of funds by the clients then they are transferred to the broker beneficiary account. When the amount is paid by the clients then the commodities are transferred from the broker beneficiary account to Client Designated bank account and from there the demat commodities are transferred to the client's demat account. Proper segregation of own and clients' funds and commodities are maintained in back office and the same are regularly reconciled with the bank/ demat accounts.
- The back office system helps in ensuring that client funds/ collaterals are not used for any purposes other than meeting the respective client's margin requirements/ pay-in. The securities



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are pledged by the client with the broker by marking the pledge on their shares through the demat account of the client.

- The member is carrying proprietary trading also and for maintaining proper control, the member transfers the funds/ securities/ commodities from their account to the settlement account for meeting their part of the margin and pay-in obligations of proprietary trading.
- The back office helps in providing controls for use of client bank and client beneficiary accounts only for authorized purposes and the company has 2 stage checking & authorization to see that no errors are occurred in the case of dealing with client funds, securities & commodities.

p) Monitoring of debit balances

- The monitoring of the debits of clients is done on daily basis.
- The we have a system of periodic reconciliation of client accounts and even try to nullify the account on periodic basis at the comfort of the client so as to make the balances Nil. The statement of accounts sent on quarterly basis are confirmed by some clients by email or by physical documents
- . In case of significant old debts and long standing recovery process, we would go through the legal methods like arbitration or court of law.
- In respect of clients having outstanding debit balances, the past history of trading and the financial standing is considered and depending on the risk perception additional trading would be allowed or the trading for the client may be stopped if required.

q) Square-up Policy/ Liquidation of collaterals without consent of clients

- The Company has a policy to square-off trades of the clients in case of Margin shortfall.
- Further in case of negative MTM Margin, the Risk Management Team monitors client's position closely and follows up with the client for additional margin.
- The organization tries to have extra margin so that client positions are not forced to be squared off. Clients are priorly informed about the margin requirement and as the clients normally give the margin or square off their position on their own.
- Clients are warned/ informed that their position may be squared off in case of shortfall of margin/ pay-in default. The clients are contacted and informed about the margin requirement over phone by the company staff or by the sub-brokers.

r) Margin Calls

- The margin calls are made to the clients when there is an increase in the trading position of the clients or when there is a change in the margin.
- The margin calls are made before entering the orders on behalf of the clients.
- In case any client has open position and due to volatility or change in the prices of the commodities there is an additional margin requirement, then the clients are intimated about the same and the back office staff/ CRM/ Accounts Team follows-up with the client for the collection of the required margin.

s) Compliance Function

- The role of Compliance officer is to formulate compliance policy for the Company and to monitor the company's business activities to ensure compliance.
- The Compliance Officer advises line management of the company about the impact of applicable regulations on their business area and also supports them in discharging their responsibilities to comply with applicable regulations.



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- The company has also implemented compliance calendar to keep proper control over the operations and compliances.
 - In order to achieve the above objectives, the Compliance Department undertakes following activities on a regular basis:
 - Check on commodities dealing conducted by RB;
 - Check on staff dealing to ensure that it is in accordance with the Employee Trading Policy and also in conformity with Code of Conduct for Prevention of Insider Trading;
 - Review of client files to ensure the documentation is complete;
 - Review of 'client account' to ensure compliance with regulatory requirements on client funds;
 - Review of research reports to ensure disclaimers are properly included;
 - Identify potential conflicts of interest;
 - Review of documentation, particularly in areas with regulatory responsibility;
 - Review of transaction specific documents;
 - Review of any complaints, penalties, fines
 - Review of manuals on a semi-annual or annual basis to ensure that necessary updation is carried out.
 - The compliance department is also responsible for updating of the policies in line with the various circulars being issued by the exchange and is also responsible for implementing the various exchange/ SEBI requirements.
 - The compliance department also carried out Investor Education, as required and Employee training within the organization to keep the employees updated on the latest requirements of various regulators.
 - Review of the alerts provided by the exchange and also maintaining the records for the same.
 - Review the alert/ surveillance controls generated through the back office software
 - The compliance department is also responsible for providing all the submissions as required to the regulators before the due date. In case of any delay they should inform/ update the senior management regarding the delay in submissions.

t) **Allotment, Surrender of trading terminals**

- The Clients are normally asked to trade out of office nearest to the address of the client. The Limit setting of the terminals is decided on the basis of the funds margin and given to the member
- In case any terminal gets surrendered then the client would be mapped to the head office for further trading and in case if the client specifies any particular location from where he want to trade then the client is mapped to that terminal.
- The terminals are installed/ activated only after complying with the regulatory requirement of informing Exchange and uploading of the details of the authorized user.
- The members' controls and the auditors during their visit check that only authorized trading software is used by the branch offices and sub-broker offices.
- The visits are made by the company staff or the auditors during their visit the branches check that only authorized persons are operating the terminal. Additionally the company carries out proper due diligence before opening of the branch or sub-broker is carried out. The directors / senior management spend regular time to access the working of the branches and sub-brokers and various concerns including the volume vis a vis clients vis a vis clients profile and activity pattern are considered.



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u) Business Continuity Planning / Disaster Management Plan

- For front-office operations, the Company has provided power backup to all dealing terminals so as to mitigate the risk of power supply interruption. The front office has connectivity to exchanges via leased lines.
- For back-office operations, the Company takes daily backup of the records into hard disk of Server. Apart from internal backup, the Company also takes weekly backup on external hard-disk and keeps copy of it externally in a remote place for safe custody.
- The backups are regularly tested to see their usability in case of any disaster.

v) Sales Practice

- The company does not have any separate sales/ marketing department. The company is very particular about the client being registered and hence clients are carefully scrutinized before registration.
- The company does not have any marketing division and has not launched any promotional schemes for registration/ enrollment of clients.
- The clients are appraised about the risk disclosure document and make them aware of the contents regarding the risk associated with the securities market.
- The company does not offer any freebies to the clients. All the services provided are charged as per the agreed terms.
- Payment to sub-broker/ remisier are paid their brokerage on monthly/ quarterly basis as may be decided. However at time the sub-broker/ remisier may request the member to retain the funds and in such cases the amounts are remitted as per the oral request from the sub-broker/ remisier.

w) Investor Grievances Redressal Mechanism:

- The register of complaints is centrally maintained under the observation and control of the director.
- The e-mail id for redressal of investor grievances is informed to the clients by the quarterly statements sent and even on the website of the organization.
- The company as required by the Exchange is maintaining the investor grievance board in the dealing office
- The company has 2 members in the Investor Grievance Redressal department and the department directly reports to the compliance officer/ director/ senior employee and CEO to take effective steps to resolve the investor grievances.
- The Proprietor / senior employee is responsible to see that there are no investors pending.
- There is an escalation mechanism in case if any investor complaint does not get redressed by the Personnel in-charge or by the senior staff.

x) Submission to the exchange

Annual Return:

The Compliance officer and the inspection department / internal audit department are required to check the compliance with the various requirement of stock exchange and accordingly the filing of Annual Return with the exchange is required to be completed before the due date. The exchange issues circulars regarding the same and the compliance with the same has to be taken care.



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Annual Information Report:

The Compliance officer is required to submit the Annual Information Report to the Exchange in their specified format after updating any suggestions as may be provided by the Exchange vide their various circulars to see that the organization has complied with the various requirements as may have been specified by the exchange within the time limit as may have been specified by the exchange.

Half yearly net worth certificate:

The requirement of submission of net worth certificate on half yearly basis for the periods ending 31st March and 30th September has to be complied as per the requirement of the stock exchange by the Compliance officer and the inspection department / internal audit department.

Mandatory Insurance Cover:

The requirement of taking the mandatory Insurance cover and submitting the same to the Commodity Exchange has to be taken care by the Compliance department in consultation with the operations/ accounts department or with guidance from the senior management as may be required.

y) Miscellaneous

Suspicious Transactions:

RB has implemented a written Anti Money Laundering Policy & Procedures in the organization in accordance with the requirements under the PMLA and has also designated a Principal Officer for preventing and controlling money laundering activities and for combating financing of terrorism. The said policy, inter-alia, provides for Customer Due Diligence Process to be observed for new as well as existing clients, policy for acceptance of clients, maintenance of records, identification and reporting of suspicious transactions to authorities, AML training to staff for effective implementation of the AML Policy. Also Company analysis, monitor & report transactional alerts provided by the Exchange from time to time.

Arbitration / Dispute Resolution Committee:

All arbitration proceedings in MCX as well as meetings of Dispute Resolution Committee of MCX concerning RB must be attended by Compliance officer / Proprietor on behalf of RB.

