

Policies & Procedures – Zuari Finserv Private Limited

Version 1.1

Version 1.1

This document has all the Internal Policies and Procedures that are being adopted by Zuari Finserv Private Limited.

Operational
Manual –
Policies and
Procedures

PREFACE

The purpose of this manual is to provide all employees of Zuari Finserv Private Limited (ZFPL) with a reference to manual containing policies and procedures established by the company. In the interest of brevity, an attempt has been made to include only that information which will be used under normal operating circumstances. For exceptional situations, it is recommended that the appropriate authority is contacted.

The content in this manual ranges from compliances and policies related to Operations to Information Technology to Risk Management System to Transaction necessitated by Statutory bodies such as Securities and Exchange Board of India, National Stock Exchange, Bombay Stock Exchange, National Securities Depository Limited, Central Depository Services India Limited etc. Consequently, for some policies and procedures, it is difficult, if not impossible, to implement modifications or obtain approval for exceptions.

Index

Sr. No.	Activity	Policy Name	Page Number
1	KYC / Policies and Procedures	Dormant / Inactive / Closure	3
		Refusal of orders for penny / illiquid stock	4
		Setting up Client's exposure limits and conditions	5
		Applicable Brokerage Rate	6
		Imposition of penalty / delayed payment	7
		The right to sell client securities or close clients positions	8 to 9
		Shortages in obligations arising out of internal netting of trades	10
		Policy for Inactive clients	11
		Temporarily suspend or closing of a client's account	12
		De-registering a client	13
		KYC	14 to 15
2	RMS	Margin Shortage and exposures	16
		Restricted Scrip Policy	17 to 18
		Surveillance & RMS	19 to 20
		Prevention of Insider Trading	21
3	Miscellaneous	Unauthenticated News	22
		Delayed Payments	23
		Transfer of Trades	24
		Debit Recovery	25
		Prefunded Instrument and Electronic Transfer	26
		Settlement of Client Accounts	27
		Internal shortages	28
4	PMLA	Anti Money Laundering	29 to 45
5	Investor Complaint	Investor Complaint & redressal	46

Dormant / Inactive / Closure of Account

The account, in which no transaction shall take place in 6 months, will be considered as dormant / In-active account.

To designate the client's account as Dormant / In-active, the period of 6 months shall be counted from the last transaction date. In case company treats the account of client as a dormant / in-active, the funds or securities lying with us, shall be refunded/ returned to the client when being demanded.

In order to reactive the account, client needs to request us, in writing, at least 2 days in advance at Corporate Office. The company will try to promptly reactivate the said account subject to fulfilment of such conditions as company may consider fit and proper. Such written request, duly signed by the client, may also be sent by way of fax or by e-mail from client's own e-mail account which is registered with the company.

Closure of Account :

1. Any account can be closed only on written request of the client after full and final settlement of account.
2. In case if due to any reason such as non-clearance of dues, non-adherence of company policies, company wants to close the account of the customer, they may do so by giving 30 days prior notice to the customer.
3. In case of receipt of request / instruction of closure of an account from regulator / statutory bodies / exchanges or any other governing body, instruction / guidelines issued by them shall be followed.

Refusal of orders for penny / illiquid stock

The stockbroker may from time to time limit (quantity / value) / refuse orders in one or more securities due to various reasons including market liquidity, value of security(ies), the order being for securities which are not in the permitted list of the stock broker / exchanges (s) / SEBI. Provided further that stock broker may require compulsory settlement / advance payment of expected settlement value / delivery of securities for settlement prior to acceptance / placement of order(s) as well. The client agrees that the losses, if any on account of such refusal or due to delay caused by such limits, shall be borne exclusively by the client alone.

The stock broker may require reconfirmation of orders, which are larger than that specified by the stock broker's risk management, and is also aware that the stock broker has the discretion to reject the execution of such order on its risk perception.

Setting up clients exposure limits and conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client

The stock broker may from time to time impose and vary limits on the orders that the client can place through the stock broker's trading system (including exposure limits, turnover limits, limits as to the number, value and / or kind of securities in respect of which orders can be placed etc.). the client is aware and agrees that the stock broker may need to vary or reduce the limits or impose new limits urgently on the basis of the stock broker's risk perception and other factors considered relevant by the stock broker including but not limited to limits on account of exchange / SEBI directions / limits (such as broker level / market level limits in security specific / volume specific exposure etc.) and the stock broker may be unable to inform the client of such variation, reduction of imposition in advance. The client agrees that the stock broker shall not be responsible for such variation, reduction or imposition or the client's inability to route any order through the stock broker's trading system on account of any such variation, reduction or imposition of limits. The client further agrees that the stock broker may at any time at its sole discretion and without prior notice, prohibit or restrict the client's ability to place orders or trade in securities through the stock broker, or it may subject any order placed by the client to a review before its entry into the trading systems and may refuse to execute / allow execution of orders due to but not limited to the reason of lack of margin / securities or the order being outside the limits set by stock broker / exchange / SEBI and any other reasons which the stock broker may deem appropriate in the circumstances. The client agree that the losses, if any on account of such refusal or due to delay caused by such review, shall be borne exclusively by client alone.

The stock broker is required only to communicate / advise the parameters for the calculation of the margin / security requirements as rate (s) / percentage (s) of the dealings, through anyone or more means or methods such as post / speed post / courier / registered post / registered AD / facsimile / telegram / cable / e-mail / voice mails / telephone (telephone includes such devices as mobile phones etc.) including SMS on the mobile phone or any other similar device by messaging on the computer screen of clients' computer; by informing the client through employees / agents of the stock broker; by publishing / displaying it on the website of the stock broker / making it available as a download from the website of the stock broker by displaying it on the notice board of the branch / office through which the client trades or of the circumstances, so required, by radio broadcast / television broadcast / newspaper advertisements etc or any other suitable or applicable mode or manner. The client agrees that the postal department / the courier company / newspaper company and the email / voice mail service provider and such other service providers shall be the agent of the client and delivery shall be complete when communication is given to the postal department / the courier company / the email -/ voice mail service provider, etc. by the stock broker and the client agrees never to challenge the same on any other reasons whatsoever and once parameters for margin / security requirements are so communicated, the client shall monitor his / her / its position (dealing / trades and valuation of security) on his / her / its own and provide the required / deficit margin / security forthwith as required from time to time whether or not any margin call or such other separate communication to that effect is sent by the stock broker to the client and / or whether or not such communication is received by the client.

Applicable Brokerage Rate

The stock broker is entitled to charge brokerage within the limits imposed by exchange which at present is as under :

- a. For Cash Market Segment : The maximum brokerage chargeable in relation to trades effected in the securities admitted to dealing on the capital market segment of the exchange shall be 2.50% of the contract price exclusive of Statutory levies. It is hereby further clarified that where the sale / purchase value of a share is Rs. 10/- or less, a maximum brokerage of 25 paise per share may be collected.
- b. For option contracts : Brokerage for option contracts shall be charged on the premium amount at which the option contract was bought or sold and not on the strike price of the option contract. It is hereby clarified that brokerage charged on options contracts shall not exceed 2.50% of the premium amount or Rs. 100/- Per Lot whichever is higher.

Imposition of Penalty / delayed payment

The client agrees that any amounts which are overdue from the client towards trading or on account of any other reason to the stock broker will be charged with delayed payment charges which can be up-to 24%. The client agrees that the stock broker may impose fines / penalties for any order / trades / deals / actions of the client which are contrary to this agreement / rules / regulations / bye laws of the exchange or any other law for the item being in force, at such rates and in such form as it may deem fit. Further, where the stock broker has to pay any fine or bear any punishment from any authority in connection with / as a consequence of / in relation to any of the orders / trades / deals / action of the client, the same shall be borne by the client. The client agrees to pay to the stock broker brokerage, commission, fees, all taxes, duties, levies imposed by any authority including but not limited to the stock exchange (including any amount due on account of reassessment / backlogs etc.), transaction expenses, incidental expenses such as postage, courier etc as they apply from time to time to the client's account / transaction / services that the client avails from the stock broker.

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

The stock broker maintains centralized banking and securities handling processes and related banking and depository accounts at designated place. The client shall ensure timely availability of funds / securities in designated form and manner at designated time and in designated bank and depository account(s) at designated place, for meeting his / her/its pay in obligation of funds and securities. The stock broker shall not be responsible for any claim / loss / damage arising out of non availability / short availability of funds / securities by the client in the designated account(s) of the stock broker for meeting the pay in obligation of either funds or securities. If the client gives orders / trades in the anticipation of the required securities being available subsequently for pay in through anticipated payout from the exchange or through borrowings or any off market delivery (s) or market delivery(s) and if such anticipated availability does not materialize in actual availability of securities / funds for pay in for any reason whatsoever including but not limited to any delays / shortages at the exchange or stock broker level / non release of margin by the stock broker etc., the losses which may occur to the client as a consequence of such shortages in any manner such as on account of auctions / square off / closing outs etc. shall be solely to the account of the client and the client agrees not to hold the stock broker responsible for the same in any form or manner whatsoever. In case the payment of the margin / security is made by the client through a bank instrument, the stock broker shall be at liberty to give the benefit / credit for the same only on the realization of the funds from the said bank instrument etc. at the absolute discretion of the stock broker. Where the margin / security is made available by way of securities or any other property, the stock broker is empowered to decline its acceptance as margin / security and / or to accept it at such reduced value as the stock broker may deem fit by applying haircuts or by valuing it by marking it to market or by any other method as the stock broker may deem fit in its absolute discretion.

The stock broker has the right but not the obligation, to cancel all pending orders and to sell / close / liquidate all open positions / securities / shares at the pre-defined squared off time or when Mark to Market (M-T-M) percentage reaches or crosses stipulated margin percentage mentioned on the website, whichever is earlier. The stock broker will have sole discretion to decide referred stipulated margin percentage depending upon the market condition. In the event of such square off, the client agrees to bear all the losses based on actual executed price. In case open positions (ie. Short / long) gets converted into delivery due to non- square off because of any reason whatsoever, the client agrees to provide securities / funds to fulfil the payin obligations failing which the client will have to face auctions or internal close outs; in addition to this the client will have to pay penalties and charges levied by exchange in actual and losses, if any. Without prejudice to the foregoing, the client shall also be solely liable for all and any penalties and charges levied by the exchange(s).

The stock broker is entitled to prescribe the date and time by which the margin / security is to be made available and the stock broker may refuse to accept and payments in any form after such deadline for margin / security expires. Notwithstanding anything to the contrary in the agreement or elsewhere, if the client fails to maintain or provide the required margin/fund/security or to meet the funds / margins / securities payin obligations for the orders / trades / deals of the client within the prescribed time and form, the stock broker shall have the right without any further notice of communication to the client to take any one more of the following steps :

-
- i. To withhold any payment of funds / securities.
 - ii. To withhold / disable the trading / dealing facility to the client.
 - iii. To liquidate one or more security(s) of the client by selling the same in such manner and at such rate which the stock broker may deem fit in its absolute discretion. It is agreed and understood by the client that securities here includes securities which are pending delivery / receipt.
 - iv. To liquidate / square off partially or fully the position of sale & / or purchase in anyone or more securities / contracts in such manner and at such rate which the stock broker may decide in its absolute discretion.
 - v. To take any other step which in the given circumstances, the stock broker may deem fit. The client agrees that the loss(s) if any, on account of anyone or more steps as enumerated herein above being taken by the stock broker, shall be borne exclusively by the client alone and agrees not to question the reasonableness, requirements, timings, manner, form, pricing etc., which are chosen by the stock broker.

Shortage in obligation arising out of internal netting of trades

Stock broker shall not be obliged to deliver any securities or pay any money to the client unless and until the same has been received by the stock broker from the exchange, the clearing corporation / clearing house or other company or entity liable to make the payment and the client has fulfilled his / her / its obligation first. The policy and procedure for settlement of shortages in obligations arising out of internal netting of trades is as under L

- a. The securities delivered short are purchased from market on T + 3 day which is the auction day on exchange and the purchase consideration (inclusive of all statutory taxes & levies) is debited to the short delivering seller client.
- b. If securities cannot be purchased from market due to any reason whatsoever on T + 3 day they can be covered from the market on any subsequent trading days. In case any reason whatsoever (any error or omission) any delay in covering of securities leads to higher losses, stock broker will not be liable for the same. Where the delivery is matching partially or fully at the Exchange Clearing, the delivery and debits . credits shall be as per Exchange debit and credits.
- c. In cases of securities having corporate actions all cases of short delivery of cum transactions which cannot be auctioned on cum basis or where the cum basis auction payout is after the book closure / record date, would be compulsory closed out at higher of 10% above the official closing price on the auction day or the highest traded price from first trading day of the settlement till the auction day.

Policy for Inactive Clients (Dormant Accounts)

Client status is observed on weekly basis and clients who have not trades during the last Six (6) months are marked 'inactive' or 'dormant' in the back office and funds payable to the clients and securities, if any, lying in the client margin account will be returned after deducting demat of any other charges due from clients. The files uploaded on the trading servers on daily basis update the current status on the terminals. Whenever a client who is marked inactive as dormant intends to trade, the details of the client viz. Address, Contact No., Demat and Bank account etc. will be taken before executing any trade in that particular client code. In case of any changes, the updation form along with the supporting documents will be taken. In case of very old account, the entire KYC form will be required to be taken alongwith the other supporting documents.

Temporarily suspends or closing a client's account at the client's request

- a. The client may request the stock broker to temporarily suspend his account, stock broker may do so subject to client accepting / adhering to conditions imposed by stock broker including but not limited to settlement of account and / or other obligation.
- b. The stock broker can withhold the payouts of clients and suspend his trading due to his surveillance action or judicial or / and regulatory order/action requiring client suspension.

De-registering a client

Notwithstanding anything to the contrary stated in the agreement, the stock broker shall be entitled to terminate the agreement with immediate effect in any of the following circumstances :

- a. If the action of the client are prima facie illegal / improper or such as to manipulate the price of any securities or disturb the normal / proper functioning of the market, either alone or in conjunction with others.
- b. If there is any commencement of a legal process against the Client under any law in force;
- c. On the death / lunacy or other disability of the client;
- d. 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;
- e. 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;
- f. If the client being a partnership firm, has any steps taken by the client and / or its partners for dissolution of the partnership;
- g. If the client have taken or suffered to be taken any action for its reorganisation, liquidation or dissolution;
- h. If the client has made any material representation of facts, including (without limitation) in relation to the security;
- i. If there is reasonable apprehension that client is unable to pay its debts or the client has admitted its inability to pay its debts, as they become payable;
- j. If the client suffers any adverse material change in his / her / its financial position or defaults in any other agreement with the stock broker;
- k. If the client is in breach of any term, condition or covenant of this agreement;
- l. If any covenant or warranty of the Client is incorrect or untrue in any material respect;

However notwithstanding any termination of the agreement, all transactions made under / pursuant to this agreement shall be subject to all the terms and conditions of this agreement and parties to this agreement submit to exclusive jurisdiction of courts of law at the place of execution of this agreement by Stock Broker.

KYC

SEBI had issued the Guidelines on Know Your Customer (KYC) standards and Anti Money Laundering Act (AML) measures vide their notification no. ISD/CIR/RRJAML/1/06 dated 18th January, 2006.

Customer Acceptance Policy

- Each client should be met in person: Company would accept client / s from whom we are able to meet personally. Either, the client should visit the office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filled in and signed.
- Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client or employee. In case of accounts opened in the name(s) of NRI or FNs. (If the Company cannot personally verify the NRI/FN client), the Company/KYC Team shall ensure the photocopies of all the KYC documents/proofs and PAN card are attested by Indian Embassy or Consulate General in the Country where the NRI or FN resides. The attesting authority affix a "verified with originals" stamp on the said documents. The photocopies of the KYC documents and PAN card should be signed by NRI/FN. If the NRI or FN comes in person to open the account, the above attestation are required may be waived.
- Accepts client on whom Company is able to apply appropriate KYC procedures : Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.
- Do not accept clients with identity matching persons known to have criminal background: Check whether the client's identity matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide. To check the same, the data available in the public domain may be referred.

KYC team shall check following before admitting any person as client:

1. Client PAN should be checked in for SEBI debar list, Politically Exposed Person list etc.
2. Be careful while accepting Clients of Special category: We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP) persons of foreign origin, companies having closed shareholding / ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non-face to face clients, clients with dubious background. Current/Formal Head of State, Current/Formal senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc). Scrutinize minutely the records/documents pertaining to clients belonging to aforesaid category .

General precautions:

1. Do not accept client registration forms which are suspected to be fictitious.
2. Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
3. Do not compromise on submission of mandatory information/documents.
4. Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines.
5. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.
6. Client of Special Category should be categorized as high risk client.
7. The Company/employees shall closely examine the transaction in order to ensure that they are consistent with Client business and risk profile.

Margins Shortage & Exposure to Customer

As per SEBI guidelines upfront margin is compulsory in F&O segment and in case of Cash segment it is desirable to collect from Customers. As far as possible, the margins should be collected at the time of opening of account. The exposure will be given on the basis of collateral or will depend on customer to customer. All trades shall be monitored by the RMS / Surveillance Team. Limits shall be defined automatically by taking into consideration ledger balances / stock available including demat account, in margin beneficiary in the back office software across all exchanges / segments & limits shall be set at Customer level and not at Branch Level. The procedure of defining limits should be completed before start of trading. At the end of day once the process is run, the cheques shall be collected towards shortages and will get deposited.

Margin Shortage

In Currency / F&O, margin shortage is not allowed and strict adherence is required to be complied with the margins. In case of sudden shortages in margin which may happen due to sudden fall in market or increase in margins / positions, at the day end, customer shall be requested to deposit the short margin and to comply with the margin requirement. If Customer fails to comply with the margin requirements, the customer shall be penalized & cases where margin shortage can result into any type of risk / loss, after giving the adequate information / opportunity, position shall be squared off. In Cash segment also, margin shortages in cases where it can result into risk / loss, after giving the adequate information / opportunity, position shall be squared off.

Restricted Scrip Policy

We shall have the absolute discretion, from time to time, to refuse/partially refuse/accept orders in one or more securities due to various reasons including trading in penny stocks, market liquidity, value of security(ies), illiquid options, far month options, writing of options, market capitalization of the stock and such stock not in demat form, suspicious stocks, restricted stock, securities which are not in the permitted list of the Stock Broker / exchange(s) / SEBI and/or appear under illiquid securities declared by the exchange(s). It is also provided further that Stock Broker may ask for compulsory settlement / advance payment of expected settlement value/delivery of securities for settlement prior to acceptance / placement of order(s) as well. Losses, if any, on account of such refusal by the Stock Broker or due to delay caused by such limits, shall be borne exclusively by the client alone. The Stock Broker shall not be responsible for any financial or other implications due to such execution, delay in execution or non-execution of any such orders.

The Stock Broker shall have the prerogative to place such restrictions, notwithstanding that the client has sufficient credit or margin available in his account.

The Stock Broker, may however, allow for acceptance of such orders, for certain securities on its own discretion, through its specific internal process, instead of allowing such orders through the standard process like online trading platform or its branches

Restricted Scrip

In order to exercise additional due diligence while trading in these securities **ZFPL** shall from time to time classify and publish a list of securities which are illiquid as per the list of illiquid securities on a periodic basis by the Stock Exchanges concerned and/or based on such internal criteria as **ZFPL** may deem fit. Together it would be termed as “Restricted Scrip”

ZFPL reserves the right to refuse execution of any transaction requests of the client on such restricted securities or to reduce the open market interests of the client in such securities **ZFPL** also reserves the right not to allow any trades or transactions in respect of certain securities or segments or orders/requests which may be below/above certain value/quantity as may be decided by **ZFPL** from time to time.

Criteria have been decided based on the Investment Limit at a client level in allowing trading in restricted scrip:

1. Investments less than or equal to Rs. 0.50 lac per scrip per day **ZFPL** may allow the dealing in restricted scrip, subject to following:
 - a. The trading turnover (buying and selling) in restricted scrips shall not exceed Rs. 0.50 lac per scrip on a single day.
 - b. At any given point of time the holding of any client in restricted scrip shall not be more than Rs. 2 lacs.
 - c. The client should not trade in single restricted scrip for more than 2 days in a month
 - d. To allow dealing in such stocks (buying or selling), 100% ledger credits will be required.
 - e. Selling in restricted scrip's is permissible only if they are lying in the client's BO with ZFPL DP account since 2 years and more.

Restricted futures/options contracts

We are restricting/ blocking certain Future and options contracts on trading platform to avoid malpractices or erroneous trading. The Parameters on which we are restricting/ blocking such contracts are as under:-

Open interest Value in the contract is less than 25 Lacs. For future contract Open interest x closing prices < 25 lacs, in case of option open interest quantity x (strike price + closing premium price) < 25 lacs.

Or

In case of Option contracts, if strike price falls (+,-) 20 % of previous day closing price of that particular scrip in cash market.

Any contract which falls under the above parameters will be not allowed for trading on trading terminals. Such orders can be placed after due diligence.

Surveillance & Risk Management**UCC parameters:**

Clients Information: ZFPL has followed all KYC parameters prescribed by SEBI. ZFPL ensure that key KYC parameters are updated on a periodic basis as prescribed by SEBI and latest information of the clients in UCC database of the exchange. ZFPL verify all clients PAN details with SEI banned client list prescribed time to time. Basis on the information ZFPL shall establish groups / association amongst clients to identify multiple accounts / common accounts / group of clients. In-Person verification is a major part of KYC verification followed by ZFPL.

Analyze the trading activity:

In order to analyze the trading activity of the clients / group of clients or scrips identified basis on alert as mentioned as Table A.

- a. ZFPL seek explanation from such identified clients for entering into such transaction
- b. ZFPL seek documentary evidence such as bank statement / Demat transaction statement or any other documents i.e. IT returns to satisfy itself.
- c. After analyzing the documentary evidences, including the bank / demat statement, ZFPL shall record its observation for such identified transaction or clients. In case adverse observation are recorded. ZFPL shall report all such instances to the respective exchange within 45 days of the alert generation. ZFPL may seek extension of the time period from exchange, wherever required.

Table A-Transactional Alerts to be provided by the Exchange:

Sr. No.	Transaction Alert	Alerts Segment
1	Significantly increase in client activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Clients/Group of Client(s), deal in common scrips	Cash
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips	Cash
5	Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash
6	Client / Group of Client(s) Concentration in a scrip	Cash
7	Circular Trading	Cash
8	Pump and Dump	Cash
9	Wash Sales	Cash & Derivatives
10	Reversal of Trades	Cash & Derivatives
11	Front Running	Cash
12	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
13	Order book spoofing i.e. large orders away from market	Cash

Monitoring and reporting Order/Trade Surveillance:

Order / Trade surveillance shall be managed independently by RMS Team. To ascertain suspicious transactions in form of Intraday volume status, Inter client trades, Trade executed at exceptionally higher or lower rates or trade executed in illiquid scrip's / contracts, RMS software is being used other than alert services provided by NSE & BSE.

Analysis to find unfair trades:

Our surveillance mechanism continuously keeps watch on order/trade execution. The following steps are taken care.

1. **Intraday Volume Status** – Surveillance is kept on trade executed and hit Exchange volume by 10% or more.
2. **Inter Client Trades** – Surveillance is kept on trade executed for inter client trade execution.
3. **Trades at High/ Low** – Surveillance is kept on trade executed at day's high or low.
4. **Trades - Illiquid Scrips / Contracts** – Surveillance is kept on trade executed in illiquid scrip's (as are provided by exchanges) in Futures/ options.

Process of disposal

In case of generation of alert, RMS investigate it further by verification of trade with customer and / or trader or by any other mean it deem fit. In case, if RMS finds any suspicious transaction, the same is reported to the Principal Officer/Compliance officer. Principal Officer/Compliance officer also investigate it further and upon his satisfaction, the same is disposed under intimation to the Director.

Surveillance Compliances:

RMS team ensure to the following.

1. Order Management System and Internal Controls.
 - a. Client-wise and Security-wise limits on exposure, open position etc. to be set up.
 - b. Review, define and maintain logs of the limits placed on execution of orders in cash/derivatives segment: quantity limit for each order, value limit for each order, user value limit for each user ID/CTCL. Branch value limit for each branch ID. Spread order quantity value limits.
 - c. Ensure that adequate systems are in places that capture IP details of traded done using the IBT / other connectivity platform.
 - d. RMS ensure to block trade modification for any client. No transfer of traded from one client to another.
 - e. RMS ensure to collect upfront margin in clients account before accepting order or updating limits.
 - f. 100 % of collection of margin shortage.
 - g. No cash transaction / third party cheques / third party DD or pay orders are allowed in any case.
 - h. ZFPL ensure to orders placed only by authorized dealers.

Prevention of Insider Trading

As per the SEBI regulation regarding prohibition of insider trading, the following procedures shall be undertaken:

1. Directors and / or Employees shall maintain the Confidentiality of all Price Sensitive Information & will not pass such Information either directly or indirectly by way of making a recommendation to anybody for the Purchase or Sale of Securities.
2. Price Sensitive Information should be disclosed only to those, who need the Information to discharge their Duties in the company and whose Possession of such Information will not give rise to a Conflict of Interest or Appearance of Misuse of the Information.
3. All files / data, containing Confidential Information shall be kept in a secure environment. All computer files must have adequate security such as Login and Password.
4. Directors / Employees shall not use Price Sensitive Information to Buy or Sell Securities of any sort, whether for their companies Accounts, Own Account, their relative's Accounts or Client's Account.
5. All Directors / Employees, who intend to deal in the Securities of listed Companies where company have some assignment / interest, shall first pre-clear the transactions as per the pre-dealing Procedure, wherein, an application, may be made in this regard, to the Compliance Officer indicating the name and estimated number of Securities that the Director / Employees intends to deal in, with the details of Demat Account and any other details as may be required at that point in time.
6. In order to monitor above Procedures and Trading in Client Securities based on Inside Information, the company as and when required, would restrict Trading in certain Securities.
7. The restricted List shall be maintained by the RMS Team.
8. Any Director / Employee who trades in Securities or communicates any Information or counsels any Person Trading in Securities will be treated as contravention of the policy, may be penalized and suitable action shall be taken against him / her as find appropriate by L1.
9. The Action by the company shall not preclude SEBI from taking any Action in case of Violation of SEBI (Prohibition of Insider Trading) Regulations, 1992.
10. The company designate its Compliance officer for the prevention of insider trading and in case of any violation observed, Compliance Officer shall inform it to the Director / SEBI.

Unauthenticated News / Rumours

As per the SEBI guidelines regarding restrictions on circulation of unauthenticated news / information, the following procedure is adopted:

1. Director/ Employees will not circulate any rumours or unverified information or news obtained from client, industry, any trade or any other sources without the specific approval of Compliance Officer.
2. The Compliance Officer, before approving circulation of any news, have to verify it's authenticity and only after satisfying himself can allow circulation of any such news.
3. The Compliance Officer with the assistance of IT department shall ensure no usage of Blogs /Chat forums /Messenger sites etc., so that no unauthenticated news / information is circulated.
4. The Compliance Officer should ensure proper education and training to all the employees to understand the nature of unauthenticated news / information.
5. **The trading staff will not be allowed to use mobile phone during trading hours.**
6. The company designate the Compliance officer for the prevention of circulation of unauthenticated news/information and in case of any violation observed, Compliance Officer shall be liable.

Delayed Payment

The company may levy its clients the late payment charges as decided by the management which cannot be more than 23.99% P. A. The late payment charges shall levy to those clients who will not make the payment on the pay-in obligation date. The working for the same shall be done on T+2 basis and charges shall be debited from pay-in obligation date.

Management, on its discretion, also reserves the right to waive / reverse the delayed payment charges to any of the client.

Transfer of Trades

As per the policy of the company, transfer of trade from one account to other account is not permissible. In the exceptional error case, the matter shall be thoroughly investigated before the trade being transferred from one client to other client on the exchange platform. In case the trade is captured in the wrong code due to typographical error, family member code, wrong code conveyed by the client or any other, post investigation and understanding the matter, management, on its own discretion, allow for transfer of trade. Further, in all the scenarios, trade must be cross verified from both the clients viz., the client in which trade was done and client to who's account trade is to be transferred.

In all cases of Transfer of Trade i.e. cases which came to our knowledge during and after Trading hours, approval from Director is required. A register shall also be maintained for such cases.

Debit Recovery

Transactions are normally carried out after having the adequate margins. In case of outstanding dues, the amount is recoverable before the Pay in date. As a procedure of recovery, Customer will be informed to make the payment or to square off the position. In case if client do not make the payment nor the positions are reduced / squared off & there is a possibility that Risk / Loss may arise, positions will be reduced / squared off to the extent as deemed fit by the RMS Team. Also, basis the Exchanges guidelines, Customers A/c's are required to be settled on quarterly basis.

Pre Funded Instrument & Electronic Fund Transfer

As a practice the company do not accept prefunded instrument to take payment through Bankers Cheque or Demand Draft. In exceptional cases, the following guidelines are required to be followed :

1. If it's a Bankers Cheque, Pay Order or Demand Draft, suitable reason / clarification must be taken from the client in writing.
2. Before depositing, details of the instrument should be cross checked with the information available in Back Office Software.
3. In case of direct deposit, before giving credit to the customer, any of the following shall be required :
 - a. Duly acknowledged copy of Counterfoil, (portion of which is returned by the Bank).
 - b. Certified Copy of the Bank statement to verify the clearance entry of the payment.
4. In case of mismatch between the Bank particulars from which the payment is received and with the information that is available with us, OPS Team should be informed by the person who takes care of Banking.
5. We shall not encourage client to make payments through pre-funded instrument and shall take all steps to educate customer to not to use the same. For the purpose, we shall use guidelines issues by exchanges and rules & byelaws laid down by PMLA / SEBI.
6. Payment that shall be received from the Electronic Fund Transfer, before giving credit, must be checked for their authentication such as payee account number, name etc. In case of non- availability of details, the same shall be asked from the client, confirmation of which should be certified by the bank.
7. If due to any compulsion, it becomes mandatory to accept the instrument, if aggregated value of instruments is Rs. 50,000/- and above, it will be accepted only once in a year & with the required documents as mentioned in the policy.
8. Pre-funded instrument from third party cannot be accepted.

Settlement of Client Accounts

To settle the account following steps shall to followed :-

Selection of client: A provision will be made in system to identify the accounts where settlement is required to done. The procedure for the actual settlement of client's account is as under:

- a) For the clients having outstanding obligations on the settlement date, the company will retain the requisite securities / funds towards such obligations and may also retain the funds expected to be required to meet margin obligations for next 5 trading days, calculated in the manner specified by the exchanges.
- b) The actual settlement of funds and securities shall be done by the company, at least once in a calendar quarter or month, depending on the preference of the client. While settling the account, the company will send to the client a 'statement of accounts' containing an extract from the client ledger for funds and an extract from the register of securities displaying all receipts/deliveries of funds/securities. The statement shall also explain the retention of funds/securities and the details of the pledge, if any.
- c) Further to avoid any inconvenience to the clients considering issuances and receipts of cheques, any account having credit/debit balance equal or less then Rs 10,000.00 (Rupees Ten thousand only) shall be treated as settled.
- d) The calculation method as specified by SEBI / Exchanges will be applicable for all the clients on daily basis, hence if any client's accounts get settled across the exchanges taken together as per specified calculation, the same shall be treated as settled. For example if a customer accounts comes to Credit from Debit and from Credit to Debit, it shall be treated as settled.

Post completion of activity, a communication will be sent to the client by email.

Internal Shortages

The internal shortages arises only in the cases of delivery transactions and it can be at exchange level or at client to client level. To settle the shortages of delivery, we assume that the delivery is short at the Exchange level and to settle it, the particular share that got auctioned at the stock exchange, we take the auction rate.

In case if that particular share is not auctioned at the stock exchange and the auction rate / close out is not available, then we take the highest average rate of that particular share of last three days basis i.e T+2 days high + Two percent for arriving at the auctioned rate to give benefit to buyer and to penalize the seller.

In case of Trade to Trade shortages – the seller is debited with the actual penalty amount that is being levied by the Stock Exchange. Other than the penalty amount, if any other charges are debited by the exchange, the same shall be recoverable from the client.

PMLA Policy

SEBI had issued the Guidelines on Know Your Customer (KYC) standards and Anti Money Laundering Act (AML) measures vide their notification no. ISD/CIR/RRJAML/1/06 dated 18th January, 2006. The Guidelines issued with the circular are in the context of the recommendation made by the Financial Action Task Force (FATF) on anti-money laundering standards. Compliance with these standards by all SEBI Registered intermediaries in the country has become imperative. These Guidelines lay down the minimum requirements / disclosures to be made with respect to clients.

Objective

The objective of this policy framework is to:

1. Create awareness and provide clarity on KYC standards and AML measures
2. Outline the obligations under PMLA.
3. Provide a framework for systems and procedures.

What is Money Laundering?

Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins.

This is done in three phases - Placement Phase, Layering Phase & Integration Phase.

Placement Phase - The physical disposal of cash proceeds derived from illegal activity

Layering Phase - Separating illicit proceeds from their source by creating complex layers of financial transactions designed to hamper the audit trail, disguise the origin of such funds and provide anonymity to their owners.

Integration Phase - Placing the laundered proceeds back into the economy in such a way that they re-enter the financial system appearing to be legitimate business funds. Having identified these stages of the money laundering process, financial institutions are required to adopt procedures to guard against and report suspicious transactions that occur at any stage.

The ability to launder the proceeds of criminal activity through the financial systems of the world is vital of the success of criminal operations. Consequently India, as one of the world's emerging financial markets, has a vital role to play in combating money laundering. Banks, Financial Institutions, Mutual Funds, Brokers, Depositories, Portfolio Managers and Intermediaries becoming involved in money laundering offences could face prosecution under PMLA leading to reputation and other risks.

Financial Intelligence Unit (FIU) — INDIA

The Government of India has set up Financial Intelligence Unit-India (FIU- IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

1. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

Basic Principles and Objectives of Money Laundering Prevention

To assist in compliance with Indian Legislation, Rules and Regulations, the following are some of the basic principles & objectives of the guidelines:

- a) Policies, procedures and controls should be established and maintained which aim to deter criminals from using the products and services of the Company for laundering the proceeds of crime.
- b) In developing its policies, procedures and controls, the Company should be aware of the various risk levels.
- c) Satisfactory "Know Your Customer" procedures must be formulated to identify the customers, the principal beneficial owners and the source of the funds obtained from the customer. It also includes knowing the nature of the business that the customer normally expects to conduct, and being alert to transactions that are abnormal within the relationship.
- d) Principal Officer of sufficient seniority, competence and independence, must be appointed to act as the focal point for all the activity relating to money laundering, to monitor compliance and to make regular compliance reports to the Board or Senior Management of the Company.
- e) The Principal Officer must be appointed as the central point of contact with the law enforcement agencies. He / She may take assistance / guidance from other departments.
- f) Unexplained, unusual or abnormal transactions which are not in line with the normal expected trend of transactions in the account including transactions suspected to being linked to criminal conduct should be reported to the Principal Officer who should then determine whether a report should be made to the appropriate authority.
- g) The background including all documents / office records / clarifications sought pertaining to such transactions & purpose thereof shall also be examined carefully & finding shall be recorded in writing. Documents & records should be made available to auditors & SEBI / Stock Exchanges / FIU-IND etc. These records are required to be preserved for 5 years from the date of cessation of transaction between the Client and the Company as per Rule number 9 of PMLA 2002. "Date of Cessation" of transaction shall mean date "date of termination/closure of an account or business relationship".
- h) Reporting lines for suspicious transaction should be clear and unambiguous. All reports should reach the Principal Officer without delay.

i) All staff should have access to information about their statutory responsibilities and relevant staff should be made aware of the anti-money laundering policies and procedures. Relevant staff should be provided with Anti Money Laundering training that helps them to understand the money laundering risks involved in business. Records must be kept regarding persons trained.

j) Records confirming the identity of customers should be retained for 5 years following the cessation of business relationship. The records referred in Rule 3 of Prevention of Money Laundering Rules, 2005 shall be maintained for a period of 5 years from the date of cessation of the Transactions between the Investor and the Company.

KYC

SEBI had issued the Guidelines on Know Your Customer (KYC) standards and Anti Money Laundering Act (AML) measures vide their notification no. ISD/CIR/RRJAML/1/06 dated 18th January, 2006.

Customer Acceptance Policy

- Each client should be met in person: Company would accept client / s from whom we are able to meet personally. Either, the client should visit the office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filled in and signed.
- Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client or employee. In case of accounts opened in the name(s) of NRI or FNs. (If the Company cannot personally verify the NRI/FN client), the Company/KYC Team shall ensure the photocopies of all the KYC documents/proofs and PAN card are attested by Indian Embassy or Consulate General in the Country where the NRI or FN resides. The attesting authority affix a "verified with originals" stamp on the said documents. The photocopies of the KYC documents and PAN card should be signed by NRI/FN. If the NRI or FN comes in person to open the account, the above attestation are required may be waived.
- Accepts client on whom Company is able to apply appropriate KYC procedures : Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.
- Do not accept clients with identity matching persons known to have criminal background: Check whether the client's identity matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide. To check the same, the data available in the public domain may be referred.

KYC team shall check following before admitting any person as client:

1. Client PAN should be checked in for SEBI debar list, Politically Exposed Person list etc.
2. **Be careful while accepting Clients of Special category:** We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP) persons of foreign origin, companies having closed shareholding / ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non-face to face clients, clients with dubious background. Current/Formers Head of State, Current/Formers senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc). Scrutinize minutely the records/documents pertaining to clients belonging to aforesaid category .

General precautions:

3. Do not accept client registration forms which are suspected to be fictitious.
4. Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
5. Do not compromise on submission of mandatory information/documents.
6. Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines.
7. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.
8. Client of Special Category should be categorized as high risk client.
9. The Company/employees shall closely examine the transaction in order to ensure that they are consistent with Client business and risk profile.
10. Before opening of A/c , KYC Team should check/refer to the list provided at <http://www.un.org/sc/committees/1267/consolist.shtml> . If in case, any similarities found from the list, same shall be informed to SEBI & FIU-IND.

Money Laundering risk assessments

Risk assessment on money laundering is dependent on kind of customers the Company deals with. Typically, risks are increased if the money launderer can hide behind corporate structures such as limited companies, offshore trusts, special purpose vehicles and nominee arrangements.

The Risk Assessment is required in order to assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients etc.

The risk assessment shall also take into account any country specific information that is circulated by the government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations Security Resolutions.

Risk classification

The level of Money Laundering (ML) risks that the Company is exposed to by an investor relationship depends on:

1. Type of the customer and nature of business
2. Type of product/service availed by the customer
3. Country where the Customer is domiciled

Based on the above criteria, the customers may be classified into three Money laundering relationship depends on:

The guidelines define certain minimum standards of account documentation for all new customer relationships, to enable the Company to understand the nature of the customer's business, carry evidence of key data regarding the customer and its principal owners/ signatories and understand the type and level of activity that is to be considered as normal in the customer's account Customers may be classified in the following risk categories.

(i) High Risk

In addition to client defined in special category following clients are classified as high risk, provided their transaction value exceeds Rs. 1 Crore

- a) Non resident clients
- b) High Net-worth clients
- c) Trust, Charities, NGOs and organizations receiving donations
- d) Unlisted Companies
- e) Companies having close family shareholding and beneficial ownership
- f) Politically exposed persons (PEP): Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country eg.: Senior politicians, Heads of States of Government, senior government, /judicial/military/officials.)
- g) Clients who have defaulted in the past, have suspicious background and do not have any financial status.
- h) Companies offering foreign exchange
- i) Clients in high risk countries: (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, where there is unusual banking secrecy, countries active in narcotics production countries where corruption (as per transparency international corruption index) is highly prevalent. Countries against which government sanctions are applied. Countries reputed to be any of the following — Havens/ sponsors of international terrorism, offshore financial centers, tax havens, Countries where fraud is highly prevalent.
- j) Clients with dubious reputation as per public information available etc.
- k) Non face to face Clients.

It should be to determine whether existing / potential customer is a PEP. Such procedures would include seeking additional information from clients. Further approval of senior management is required for — establishment business relationships with PEP & to continue the business relationship with PEP.

All transaction of Clients identified as High Risk Category should be put to counter measures. These measures may include further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of transactions and applying enhanced due diligence.

(ii) Medium Risk

Client defined in above category having transaction value below 10 Lacs and those Clients who are mostly intra-day Clients or speculative Clients. Further based on business directive the clients who maintain running account continuously with the company may also be categorized as Medium risk clients as case to case basis.

(iii) Low Risk

Clients those pose Nil or low risk. They are Individuals/Corporates/HNIs who have respectable social and financial standing. These are the Clients who make a payment on time and take delivery of shares.

The low risk provisions should not apply when there are suspicions of Money Laundering / Financing Terrorism (ML/FT) or when other factors give rise to a belief that the customer does not in fact pose a low risk.

Irrespective of the definition / criteria cited above, ZFPL, on the basis of various aspects such as transaction volume, pattern of investment, scrip selection, regularity in payments etc., may change / revise the categorisation of a particular / set of customers.

Know Your Customer and Identification

KYC

SEBI had issued the Guidelines on Know Your Customer (KYC) standards and Anti Money Laundering Act (AML) measures vide their notification no. ISD/CIR/RRJAML/1/06 dated 18th January, 2006.

- Each client should be met in person: Company would accept client / s from whom we are able to meet personally. Either, the client should visit the office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filled in and signed.
- Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client or employee. In case of accounts opened in the name(s) of NRI or FNs. (If the Company cannot personally verify the NRI/FN client), the Company/KYC Team shall ensure the photocopies of all the KYC documents/proofs and PAN card are attested by Indian Embassy or Consulate General in the Country where the NRI or FN resides. The attesting authority affix a "verified with originals" stamp on the said documents. The photocopies of the KYC documents and PAN card should be signed by NRI/FN. If the NRI or FN comes in person to open the account, the above attestation are required may be waived.

- Accepts client on whom Company is able to apply appropriate KYC procedures : Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.
- Do not accept clients with identity matching persons known to have criminal background: Check whether the client's identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide. To check the same, the data available in the public domain may be referred.

KYC team shall check following before admitting any person as client:

1. Client PAN should be checked in for SEBI debar list, Politically Exposed Person list etc.
2. Be careful while accepting Clients of Special category: We should be careful while accepting clients of special category like NRIs,HNIs,Trust, Charities,NGOs,Politically Exposed Persons (PEP) persons of foreign origin, companies having closed shareholding / ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non-face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc). Scrutinize minutely the records/documents pertaining to clients belonging to aforesaid category .

General precautions:

1. Do not accept client registration forms which are suspected to be fictitious.
2. Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
3. Do not compromise on submission of mandatory information/documents.
4. Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines.
5. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.
6. Client of Special Category should be categorized as high risk client.
7. The Company/employees shall closely examine the transaction in order to ensure that they are consistent with Client business and risk profile.

Customer Acceptance Policy

Further, having sufficient information about the customer and making use of that information is the most efficient tool used to counter the efforts of laundering the proceeds of crime. In addition to minimizing the risk of being used for illicit activities, adequate KYC information provides protection

against fraud, and enables suspicious activity to be recognized, consequently protecting the Company from reputation and financial risks.

Where the investor is a new investor, an account must be opened only after ensuring that **pre account opening KYC documentation and procedures are conducted**.

A risk-based approach will need to be adopted towards client identification in respect of any additional information that might be required in specific cases.

The Company shall periodically update all documents, data or information of all Clients and Beneficial Owners collected under the Client Disclosure Document (CDD) process. The CDD process should necessarily be revisited where there are suspicious of money laundering or financing of terrorism. (ML/FT)

SEBI vide its circular no. CIR/MIRSD/2/2013 dated January 24, 2013 has issued guidelines on identification of Beneficial ownership. Provisions with respect to the determination of beneficial ownership is annexed — as Annexure- 1, same needs to be followed while opening account and subsequently for identifying beneficial owner by KYC department.

Documents required for accepting Clients as per Rule 9 of the Prevention of Money-laundering

Individual

1. One certified copy of an 'officially valid document' containing details of his identity and address.
2. One recent photograph
3. Such other documents including in respect of the nature of business and financial status of the client (therefore proof of financial standing is also required for client dealing in cash segment)

Partnership Firm

One certified copy of the following documents:

1. Registration certificate;
2. Partnership deed; and
3. an officially valid document in respect of the person holding
4. an attorney to transact on its behalf.

Trust

1. Certified copy of the following documents:
2. Registration certificate;
3. Trust deed; and
4. an officially valid document in respect of the person holding an attorney to transact on its behalf.

Company

1. Certificate of incorporation;
2. Memorandum and Article of Association
3. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; an
4. An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.

Application of Commercial Judgment

The company shall adopt a risk-based approach to the KYC requirements. Consequently, there will be circumstances when it will be both necessary and permissible to apply commercial judgment to the extent of the initial identification requirements. Decisions will need to be taken on the number verification parameters with in a relationship, the identification evidence required, and when additional checks are necessary.

Establishing Identity

What is identity?

Identity generally means a set of attributes which together uniquely identify a natural or legal person. For example, an individual's identity comprises his/her name including all other names used, the residential address at which he/she can be located and his/her photograph.

Date of birth is also important as an identifier in support of the name and is essential to law enforcement agencies in an investigation.

Whose Identity should be Verified?

Identification evidence should usually be verified for:

The named account holder(s) / the person in whose name an investment is registered;

Any principal beneficial owner of funds being invested who is not the account holder or named investor;

e.g. no account should be opened by X for the benefit of Y. Account in the name of wife/kids for the benefit of husband/father may or may not be operated by later.

The failure or refusal by an applicant to provide satisfactory identification evidence within a reasonable time scale and without adequate explanation may lead to a suspicion that the depositor or investor is engaged in money laundering.

Possible indication of Suspicion:

Identity of client

1. False identification documents
2. Identification documents which could not be verified within reasonable time
3. Non face to face client

4. Clients in high risk jurisdiction
5. Doubt over the real beneficiary of the account
6. Accounts opened with names very close to other established business entities
7. Receipt back of well come kit undelivered at the address given by the client
8. Bounced communication
9. Frequent change of name, address and bank and demat account details.

Suspicious Background

1. Suspicious backgrounds or links with criminals

Multiple Accounts

1. Large number of accounts having a common parameters such as
2. common partners / directors / promoters / address / email address /telephone numbers, introducer or authorized signatory
3. Unexplained transfers between such multiple accounts.

Activity in Accounts

1. Unusual activity compared to past transactions
2. Use of different accounts by client alternatively
3. Sudden activity in dormant accounts
4. Activity inconsistent with what would be expected from declared income of Client

Nature of Transactions

1. Unusual or unjustified complexity > No economic rationale
2. Source of funds are doubtful
3. Appears to be case of insider trading
4. Purchases made on own account transferred to a third party through an off market transactions through DP account
5. Transactions reflect likely market manipulations
6. Suspicious off market transactions

Identification Procedures: General Principles

The Company shall establish to its satisfaction that they are dealing with an individual or an entity and obtain identification evidence sufficient to establish that the applicant is that individual or entity.

Reliance on third party for carrying out Client Due Diligence

When reliance is being placed on any franchise to identity or confirm the identity of any applicant, the overall legal responsibility to ensure that the procedures and evidence obtained are satisfactory rests with the Company.

Certification and Copying Identification Documents

A risk-based approach will be adopted towards certification of Documents. For low risk clients, reliance will be placed on a self-certified copy of the documents required to prove identity and address, For high-risk and medium risk clients, the Company may adopt higher levels of verification procedures (such as requesting notarized copies or verification with originals etc.) to ensure validity of the documents submitted.

Record keeping requirements

We should ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Prevention of Money Laundering Act, 2002 and Rules and Regulations made there-under, and concerned Stock Exchange(s) Bye-laws, Circulars and Notifications and any other necessary provisions and modifications made thereunder for the time being in force.

We shall retain the following information for the accounts of customers in order to maintain a satisfactory audit trail for:

- (a) Beneficial owner of the account;
- (b) Volume of the funds flowing through the account; and
- (c) For selected transactions:
 - 1. the origin of the funds;
 - 2. the form in which the funds were offered or withdrawn, e.g. cash, cheques, etc.;
 - 3. the identity of the person undertaking the transaction;
 - 4. the destination of the funds;
 - 5. the form of instruction and authority.

(For C – Identification / linkage / disbursal of funds and transaction will solely be based on the information provided by the client)

We shall consider retaining certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed the limit required under the SEBI Act, Prevention of Money Laundering Act, 2002, Exchange bye-laws or any other Act or circulars for the time being in force.

Retention of Records:

The following document retention terms should be observed:

- (a) All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period prescribed under the relevant Act (Prevention of Money Laundering Act, 2002 and SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.

- (b) Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the prescribed period.

In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

Monitoring of transactions:

Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. This is possible only if we have an understanding of the normal activity of the client so that they can identify the deviant transactions / activities.

We shall pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. We may specify internal threshold limits for each class of client accounts and pay special attention to the transaction which exceeds the prescribed limits.

We should ensure a record of transaction is preserved and maintained in terms of section 12 of the Act and that transaction of suspicious nature or any other transaction notified under section 12 of the Act is reported to the appropriate law authority. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.

Further our compliance cell should examine a selection of transaction undertaken by clients to comment on their nature through Whistle Blower Policy i.e. whether they seems to be a suspicious transactions or not.

Customer Identification Procedure

Based on materiality and risk, verification of beneficial owners or directors may not be taken for significant and well established entities, companies listed on recognized investment / stock exchanges, government departments or their agencies, government linked companies.

All responsible officers of CEBPL including Principal Officers, Compliance and risk officials shall have access to identification data and other relevant Customer Disclosure Document (CDD) information, transaction records. Etc

The Customer Disclosure Documents (CDD) process should necessarily be revisited when there is suspicion of money laundering or financing of terrorism (ML / FT)

In case, if any customer do not establish the proper evidence of identity, the same must be informed to the SEBI & FIU-IND.

Procedure for Freezing

Under the Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA) Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule

to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism.

In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND and On receipt of this information after verification, Choice Equity Broking shall act immediately on the same.

Recognizing and Reporting Suspicious Transaction / Activity

What is meant by "suspicion?"

The Rules notified under the PMLA defines a "suspicious transaction" as a transaction whether or not made in cash which, to a person acting in good faith-

1. Give rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
2. Appears to be made in circumstances of unusual or unjustified complexity; or
3. Appears to have no economic rationale or bonafide purpose.

The provisions of the PMLA place an obligation on the Company to furnish information in respect of suspicious transactions within seven working days from the date of arriving a conclusion of such transaction.

Suspicion is personal and subjective and falls far short of proof based on firm evidence. Suspicion may be defined as being beyond mere speculation and based on some foundation i.e. "A degree of satisfaction and not necessarily amounting to belief but at least extending beyond speculation as to whether an event has occurred or not"; and "Although the creation of suspicion requires a lesser factual basis than the creation of a belief, it must nonetheless be built upon some foundation."

The Principal Officer / Money Laundering Control Officer & other appropriate compliance, risk management & related staff members shall have timely access to customer identification data & other CDD information, transaction records & other relevant information

Any suspicion transaction should be immediately notified to any designated officer within the Company i.e. to the Principal Officer.

A 'Client of Special Category' (CSC), being the client from a country where effectiveness of Money Laundering controls in suspect or which insufficiently apply Financial Action Task Force (FATF) standards. CEBPL shall ensure that such clients should also be subject to appropriate counter measures. These measures may include a further enhanced systematic reporting of financial transactions & applying enhanced due diligence while expanding business relationships with the identified person

The background including all documents / office records / memorandums / clarifications sought pertaining to all transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Such findings shall be made available to auditors, SEBI / Stock Exchanges / FIU-IND / other relevant authorities for inspection and whenever requested. These records shall be preserved for five years.

Internal Reporting of Suspicious Transactions

1. There is a statutory obligation on all staff to report to the Principal Officers, transactions where they have knowledge, suspicion, or reasonable grounds for knowledge or suspicion of money laundering.
2. Any member of staff (like KYC team, dealers relationship Managers, DP team members of back office and accounts team) who handles or is responsible for handling transactions which may involve money laundering, makes a report promptly to the Principal Officer (PO) if he knows or suspects or has reasonable grounds to know or suspect that a client, or the person on whose behalf the client is acting, is engaged in money laundering.
3. Disciplinary proceedings may be initiated on any member of staff who fails, without adequate reason, to make a report of the kind envisaged in this section.
4. It is desirable that any member of the staff should consult their immediate superior before sending a report to the Principal Officer. Where it is considered necessary for a report to be passed first to a supervisor or manager, there is a clear reporting chain under which those suspicions will be passed promptly, without delay, to the Principal Officer. Once an employee has reported his/her suspicions to the Principal Officer he/she has satisfied the obligation.

No Tipping Off

An important element to the success of the AML process is that the customers should not be informed (i.e. tipped off) that his/her accounts are being monitored for suspicious activities and / or that a disclosure has been made to the designated authority namely Financial Intelligence Unit, India. (FIU-IND)

The company can however make normal enquiries to learn more about the transaction or instruction to determine whether the activities of the customer arouse suspicion.

Where it is known or suspected that a suspicion report has already been made internally or externally, and it then becomes necessary to make further enquiries, care must be taken to ensure that the suspicion is not disclosed either to the client or to any other third party. Such enquiries shall normally be made as directed by the Principal Officer.

"Tipping Off" provisions extended not only to the filling of the STR and/or related information but even before, during and after the submission of STR.

The Role of the Principal Officer (PO)

Mr. Krishan kant is the Principal Officer of Zuari Finserv Private Limited

The PO is responsible for:

- 1) Receiving internal suspicious activity report
- 2) Taking reasonable steps to access any relevant KYC information on concerned parties
- 3) Making external report as required
- 4) Obtaining and using national and international findings concerning countries with inadequacies in their approach to money laundering prevention
- 5) Taking reasonable steps to establish and maintain adequate arrangements for awareness creation and staff training.

The Principal Officer, or any other person to whom the Principal Officer's duties have been delegated, shall have access to any information of the customer or transaction(s).

The Principal Officer shall have access to and be able to report to senior management above his/her next reporting level or the Board of Directors.

Appointment of Designated Director

As per SEBI circular No. CIR/MIRSD/1/2014 dated March 12, 2014, we have appointed Mr. Vijay Kathuria as Designated Director of Zuari Finserv Private Limited and the same has been informed to FIU-IND.

Reporting Procedures under PMLA

The Principal Officer has been entrusted with the responsibility of collating and reporting transactions prescribed under the Rules notified. All internal reports of suspicious transactions shall be considered by the Principal Officer, and these shall be reported externally if the Principal Officer has reasonable grounds to suspect, as specified in the Rules notified.

In reaching a decision concerning a suspicion report, the Principal Officer, or in his/her absence a duly authorized delegate shall take reasonable steps to consider all relevant KYC information available within the Company concerning the person or business to which the initial report relates. This may include, as part of reviewing the KYC information/ customer profile:

- a) Transaction patterns
- b) Volumes through the account or accounts in the same name
- c) The length of the business relationship
- d) Reference to the KYC documents held, if required

As part of the review, the Principal Officer may choose to relate the transaction to other connected accounts or relationships.

If, after completing this review, he/she decides that there are grounds for knowledge, suspicion or reasonable grounds to suspect money laundering, then he/she must disclose the information as soon as practicable after the disclosure was received in order to avoid committing an offence of failure to disclose. Nevertheless, care should be taken to guard against the report being submitted as

a matter of routine without undertaking reasonable internal enquiries to determine that all available information has been taken into account.

The officer will be expected to act honestly and reasonably and to make his/her decisions in good faith. The decision whether or not to report must not be subject to the consent or approval of any person other than the Principal Officer.

Accounts where suspicious transactions have been reported to the FIU-IND may be reclassified as High Risk/ monitored closely. Following the reporting of a suspicious transaction, the Company shall continue to be vigilant in monitoring further transactions in such accounts. However, the Principal Officer may, after a period of time, based on further developments in the account, remove such accounts from a high risk classification.

Records of information reported to the Director, Financial Intelligence Unit – India

We shall maintain and preserve the record of information related to transaction, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML rules, for a period of five years from the date of the transaction between the client and the intermediary.

Reporting to Financial Intelligence Unit-India (FIU-IND)

1. The Principal Officer will be responsible for timely submission of CTR & STR to FIU-IND.
2. The cash transaction report (CTR) for each month should be submitted to FIU-IND by 15th succeeding month.
3. STR should be submitted within 7 days of arriving at a conclusion that any transaction. The principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious.

It is clarified that the registered intermediaries, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of schedule of PMLA 2002, should file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

Extreme confidentiality should be maintained in filing of CTR & STR to FIU-IND.

No nil reporting needs to be made to FIU-IND in case there are no cash or suspicious transactions to be reported.

Company & its directors, officers & employees (permanent & temporary) are prohibited from disclosing the fact that the STR / related information is being reported/provided to the FIU-IND.

PMLA POLICY WITH RESPECT TO EMPLOYEES'HIRING/TRAINING & INVESTOR EDUCATION

Policy on Hiring of key Employees:

At the time of screening key employees in the Company, the HR personnel should make sure that the key employees must be made aware about the AML/CFT requirement at the time of joining the organization and on such other time as they deem fit to ensure that key employees * shall perform

& discharge their duties efficiently and effectively to combat risk of money laundering which is considered to be a prominent area/aspect in an industry in which the company operates.

****Key employees are employees as per the list maintained by HR personnel from time to time.***

Policy on Employees' training:

The company should have an ongoing employee training programme in terms of following:

Conducting presentations from time to time to create awareness amongst the concerned employees and / or by sharing information over email and / or telephonically.

Policy on Investor Education:

With a view to discharge our responsibility in the view of PMLA requirement, the Company should endeavour to do the following:

- Disseminating / spreading the information amongst the investors/clients via different modes.

Suspicious Transaction Tracking

The clients trading transactions are checked for suspicious activity as follows:

- Client trading pattern
- trading in illiquid scrip
- concentration in one scrip if any,
- payment track record ,
- Client turnover Vs Exchange turnover.
- Synchronised trading.
- Client Purchase to his income/ Net worth
- Whether any off-market transfers are taking place from our Demas account to other Demat accounts.

Suspicious transactions encountered are raised to the Compliance officer who after consultation with Principal Officer decides to file a STR with FIU. Principal Officer has been registered with FIU along with the Company.

The PMLA policy of the company is reviewed once in a financial year. In case of regulatory change in between then it is reviewed and updated to comply with the new regulatory order\ guidance within the time frame specified by the regulators.

Investor Complaints & Redressal

Investor complaints, such as Non Receipt of Confirmation, Erroneous Transfer, Erroneous Trade, Trade Without consent, Non receipt of Security Statements, Fraudulent transfer / transaction or likewise, should be entered in the respective Grievance register.

Flow of Complaints addressing mechanism

Received at Branch	Received at Head Office
Step 1 – The recipient should inform the Branch Manager.	Step 1 – The recipient should inform the Compliance Officer.
Step 2 – Branch Manager to inform Compliance Officer.	Step 2 – Compliance Officer to initiate corrective steps towards closure of complaint.

Post receipt of grievance, every effort should be made to resolve the grievance within 7 days. Post resolution, if required & deemed fit by the Compliance Officer, a confirmatory mail should also be sent to the customer. In case, if closure / resolution of the complaint is expected to take more than 7 days, Customer should be informed.

Closure of the complaint will be the joint responsibility of Compliance Officer and he must investigate the complaint thoroughly and take preventive measures, if required.

Informing Exchanges, SEBI and any other regulatory body, (if required), will be the responsibility of the Compliance Officer. Furthermore, Complaint register, MIS, resolution & closure status shall also be put up to the director on monthly basis.