

Policies & Procedures – Zuari Finserv Limited

Version 1.2

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This document has all the Internal Policies and Procedures that are being adopted by Zuari Finserv Limited approved in Board Meeting dated 09/02/2019

Operational
Manual –
Policies and
Procedures

PREFACE

The purpose of this manual is to provide all employees of Zuari Finserv Limited (ZFL) 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.

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Client Registration

1. Entertain walk in clients: In case of walk in clients, the client is entertained and the due diligence is done as per the stock exchange/SEBI requirements.
2. The client registration documents are stored in physically and electronically.
3. The client is explained thoroughly regarding the risk associated with stock market. The Risk Disclosure Document (RDD) and Rights & Obligations are the parts of KYC and duly signed by the client.
4. The client registration document along with welcome kit is sent through mail/physical form.
5. Any kind of the modification like address, e-mail id, contact details are changed on the written request from the client.
6. The financial details are updated at the time of account opening and further on yearly basis for F&O clients and wherever it is required.
7. The client details are fetched in the system using maker checker concept.

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. ZFL 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 ZFL.

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.

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.

Sending Contract Notes, Margin Statement, Statement of Accounts to Clients.

- Contract Notes, Margin Statement, Statement Of Accounts to Clients are sent through email within stipulated time as prescribed by exchanges/SEBI. Proper log of send reports of these documents is maintained. In case of bouncing of email, ZFL send a physically copy of contract note to the client through courier within stipulated time.
- The billing is done on the trade date and informed to the client on same day.

Refusal of orders for penny / illiquid stock

Penny stocks are those that trade at a very low price, have very low market capitalisation, are mostly illiquid. These stocks are highly risky and speculative. Depending upon the market condition and ZFL policy, ZFL reserves the right to provide the limit in these stocks.

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 agrees 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% P.A.. 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.

Delayed Payment

The company may levy its clients the late payment charges as decided by the management which cannot be more than 24% 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+3 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.

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:

- a. The securities delivered short are purchased from market on T + 2 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 20% 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.

Internal Shortages

The internal shortage 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.

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/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.

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 segment, 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 as prescribed by the exchanges & 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 **ZFL** 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 **ZFL** may deem fit. Together it would be termed as “Restricted Scrip”

ZFL 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 **ZFL** 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 **ZFL** 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 **ZFL** 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 ZFL 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: ZFL has followed all KYC parameters prescribed by SEBI. ZFL 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. ZFL verify all clients PAN details with SEBI banned client list prescribed time to time. Basis on the information ZFL 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 ZFL.

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. ZFL seek explanation from such identified clients for entering into such transaction
- b. ZFL 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, ZFL shall record its observation for such identified transaction or clients. In case adverse observation are recorded. ZFL shall report all such instances to the respective exchange within 45 days of the alert generation. ZFL 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 shall 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 ensures to block trade modification for any client. No transfer of traded from one client to another.
 - e. RMS ensures 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. ZFL ensure to orders placed only by authorized dealers.

T+2+5 Ageing Collection / Square off Policy

This has reference to SEBI circulars SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/138 dated December 20, 2016 and Exchange circulars NSE/INSP/33276 dated September 27, 2016 and NSE/INSP/33861 dated December 21, 2016 on Enhanced Supervision of Stock Brokers.

Based on the representations received from Members, SEBI, vide their circular no. CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017 has issued clarifications on certain provisions of the circular on Enhanced Supervision.

With reference to SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017 on Enhanced Supervision of Stock Brokers. As per clause 2.6, "Stock brokers shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond the fifth trading day, as reckoned from date of pay-in, except, in accordance with the margin trading facility provided vide SEBI circular CIR/MRD/DP/54/2017 dated June 13, 2017 or as may be issued from time to time." This clause would be effective from **August 1, 2017**.

To comply with SEBI guidelines the ageing debit square off process has amend existing T+7 ageing debit square off process. Due to clause 2.6 stock broker shall not grant further exposure to the clients have in debit balance (across segment) beyond T+7 (T indicates Trading day). Client should be provided adequate collection or reduce position up-to debit amount on the day of T+6 for further exposure including FNO/CDS segment. Client shall be set in Compulsory Square off mode from the day of T+7. Client arise into square off mode shall not be allowed for Intraday trading also (across segment) beyond T+7.

To obtain new exposure client should be provide 100 % collection up-to debit amount by cheque /fund transfer.

Client having debit beyond T+7 shall not be allowing for further exposure from Aug 1, 2017.

It is client's obligation to clear his/her outstanding dues by T+2 (T indicates Trading day). The client shall ensure timely provision of funds to ZFL (Zuari Finserv Pvt Limited) so as to meet exchange obligations. ZIL has reserves the right to close the positions / sell securities to the extent of ledger debit and /or to the extent of margin obligations. Selling will be done in clients account on T+7 days for the ledger debit which is more than T+6 days on ageing basis. For e.g.: All trades executed in debit on Monday will be squared off on next Wednesday (T+7) where T indicates Trading day. In other words, if funds are not received for scrips purchased in debit on Monday by next Tuesday i.e. T+6, ZFL shall be liquidate securities to the extent of ledger debit as per ageing basis.

❖ Action to be taken

Client should be clear at least T+7 settlement debits in form of Cheque / NEFT/RTGS/Online fund transfer by T+6 day. Keeping in view the above points if collection not received from clients, Risk Management will do open debit selling as given below if.

Debits lying in client accounts either due to MTM or towards purchase of stocks with adequate comfort are categorized under ageing debits

- As a procedure, ageing debit cannot be extended beyond T+7 days.
- Information will be shared by RMS through SMS and e-mail to clients and mail communication to respective Branch Head / RM.
- Risk Management shall be initiates selling for those clients wherever payment is not collected.

- The system randomly selects stocks up to the value of debit irrespective of whether stocks are held in Beneficiary A/c or DP POA account.
- Selling of ageing debit shall be process at 1.00 pm by Risk Management in NOW through product type CNC in NSE or BSE segment.
- Client shall not be allowing for fresh buying beyond T+7 day.

Exception for small debit

Square off shall not be excluded for clients having small debits i.e. Rs. 1000/- or less.

Exceptions Matrix

Exceptions shall be permitted only on prior approval from any member of **approval authority**. Beyond T+7 no further exposure shall be allow for exception clients as well as normal clients.

Member of Approval Authority

1. Director
2. National Head
3. Regional Head
4. Area Business Head
5. Chief Manager
6. Compliance Officer
7. Risk Head

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.

Order Receipt and Execution.

ZFL shall execute trades of clients only after keeping evidence of the client placing such order, it could be, inter alia, in the form of:

- Physical record written & signed by client
- Telephone recording
- Email from authorized email id
- Log for internet transactions
- Record of SMS messages
- Any other legally verifiable record
- Request from person authorised by the client to operate the account
- The client detail like client code ,client name are confirmed before placing the order.
- ZFL has a system to for the trade verification by sending sms/email and through telephonic confirmation.

Prevention of unauthorized Trading

Though the SEBI has taken various steps in the past to tackle the menace of the unauthorized trades in the past. Further, SEBI has issued a circular no. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated 22nd March, 2018 to strengthen regulatory provisions against unauthorized trades and also to harmonise the requirements across markets. As per the circular ZFL shall execute trades of clients only after keeping evidence of the client placing such order, it could be, inter alia, in the form of:

- a. Physical record written & signed by client
- b. Telephone recording**
- c. Email from authorized email id
- d. Log for internet transactions
- e. Record of SMS messages
- f. Any other legally verifiable record

Further, wherever the order instructions are received from clients through the telephone, the stock broker shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.

When a dispute arises, the broker shall produce the above mentioned records for the disputed trades. However, for exceptional cases such as technical failure etc. where broker fails to produce order placing evidences, the broker shall justify with reasons for the same and depending upon merit of the same, other appropriate evidences like post trade confirmation by client, receipt/payment of funds/securities by client in respect of disputed trade, etc. Shall also be considered.

The Brokers are required to maintain the records specified above for a minimum period for which the arbitration accepts investors' complaints as notified from time to time currently three years. However, in cases where dispute has been raised, such records shall be kept till final resolution of the dispute.

In case of branch visitor client's physical record written & signed by clients has to be maintained by broker on daily basis.

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.

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 90 days.

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 be followed:-

Selection of client: A provision will be made in system to identify the accounts where settlement is required to be 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 than 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.

Policy to deal with conflict of interest

As per guideline laid down in SEBI circular no. CIR/MIRSD/5/2013 dated August 27, 2013 for dealing with Conflicts of Interest, we shall adhere to these guidelines for avoiding or dealing with or manage the conflict of interest . In order to comply with said circular, the following measures are adopted:

- I. Lay down polices and internal procedures to identify, avoid, deal, manage actual or potential conflict of interest and ensure to communicate such polices & procedure to all concerned.
- II. Maintain high standards of integrity in the conduct of our business at all the times.
- III. Ensure fair treatment of our Clients and not discriminate amongst them.
- IV. Ensure that our personal interest does not, at any time conflict with their duty to our Clients and Client's interest always takes primacy in their advice, investment decisions and transactions.
- V. Make appropriate disclosure to the clients of possible source or potential areas on conflict of interest which would impair the ability to render fair, objective and unbiased services.
- VI. Endeavour to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department to another etc.
- VII. Place Appropriate Restrictions on transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict
- VIII. Not deal in securities while in possession of material non published information.
- IX. Not to communicate the material non published information while dealing in securities on behalf of others.
- X. Not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities.
- XI. Not have an incentive structure that encourages sale of products not suiting the risk profile of their clients.
- XII. Not to share the information received from clients or pertaining to them, obtained as a result of our dealings, for our personal interest.

We shall also review all other policies and shall ensure wherever the conflict of interest is arising shall be eliminate immediately.

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.