

## RISK MANAGEMENT SYSTEM

While admitting a New Client, due care is taken to ensure credit worthiness of the client. Only known parties or people introduced by known parties are taken as clients.

Following points are taken in account to systematically manage the risk arising from default of clients.

1. Income-Salary/Business Income/Other Income
2. Trading Turnover / Volume of Business
3. Payment Record
4. Shares Lying with us
5. Credits in other Family Accounts
6. Past Credit History if any
7. Clients address, age, education, etc.

As we do not have any branches, all the business is conducted from this office, under our direct supervision, we can exercise better control thus minimizing the risk of client default.

## POLICY TO IMPLEMENT THE PMLA PROVISIONS

All staff members including bolt operators have been instructed to bring to the notice of the management any suspicious transactions particularly the following.

1. All Cash Transactions of the value of more than Rs. 10 Lakhs or its equivalent in Foreign Currency .
2. All series of Cash transactions integrally connected to each other which have been valued below Rs. 10 Lakh or its equivalent in Foreign currency where such series of transactions take place within 1 calendar month.
3. All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as demat account, security account.

Apart from “transactions integrally connected”, “transactions remotely connected or related” should also be considered as suspicious transactions .

All staff members have been instructed to follow the Client Due Dilligence process very carefully. At the time of acceptance of new clients, utmost care should be taken to ensure that

1. No account is opened in a fictitious / benaami name or on an anonymous basis.
2. Verify the clients identity using reliable, independent source documents, data or information
3. Obtain sufficient information to identify persons who beneficially own or control a Client/securities account.
4. Conduct ongoing Due Dilligence and scrutiny.
5. Identify the types of clients that are likely to pose a higher than the average risk of Money Laundering or Terrorist Financing.
6. Adopt an enhanced Client Due Dilligence process for higher risk categories of clients particularly the following:-
  - a. Non Resident Clients.
  - b. High Networth Clients.
  - c. Trust, Charities, Non-Governmental Organisations (NGO's) and organizations receiving donations.
  - d. Companies having close family shareholdings or beneficial ownership.
  - e. Politically exposed Persons (PEP).
  - f. Companies offering Foreign Exchange offerings.
  - g. Clients in high risk countries.
  - h. Non Face to Face clients.
  - i. Clients with dubious reputation as per public information available etc.

All staff members have been impressed upon the need :-

1. To follow Client Identification Procedure at all stages – while establishing Client Relationship, while carrying out business or when doubts arises regarding the veracity or adequacy of data obtained previously.
2. Determine whether existing/potential client is a PEP by seeking additional information from Clients or assessing publicly available information.
3. Obtain Senior Management approval for establishing business relationships with PEP's.
4. Verify Source of Funds of clients who are PEP.

All staff members have been trained to obtain adequate information to establish the identity of each new client and the purpose of intended nature of the relationship by using reliable sources including documents/information. Each original document should be seen prior to acceptance of a copy. No minimum threshold or exemption is available from obtaining the minimum information/documents from clients irrespective of the amount of investment made by clients.

## INTERNAL CONTROLS

### 1. DETAILS

Date of Starting of Business : 17<sup>th</sup> January 1998

Background of the company : Our company was formed by corporatisation of individual card of Shri Vinodkumar B Roongta who became a member of the Exchange in the year 1976. He was mainly into Vyaj-Badla business . At present we are mainly into Institutional business.

### 2. CLIENT CODE MODIFICATION :

Client codes are modified on discovery of punching errors .

We have no branch offices .

As there are only 3 trading terminals and a very limited client base, it is easy for us to track the genuine punching errors.

Clients as well as Bolt operators have been instructed to be careful.

### 3. P M L A :

The details of Principal Officer as required under The Prevention of Money Laundering Act, 2002 have been communicated to the Office of The Director – IFU on 4<sup>th</sup> April 2006. A Written policy has been adopted to comply with the requirements of P M L A.

All staff members including bolt operators have been educated about the requirements of PMLA and how to combat the same.

Our main business is Institutional . Our Individual clients are very limited and well known to us . Hence, it is very easy to keep a check on their volume .

Till date, No Suspicious Transaction Report is sent to FIU as there was no instance .

All our clients are categorized as Average-Risk.

### 4. INTRODUCTION/REGISTRATION OF CLIENTS :

Basis of accepting a client is introduction by an existing client or known to us .

In person verification of clients is generally done by a Director.

Client Registration documents are always given to New Clients and to existing clients on demand. UCC and Email-Id is communicated to clients on CRD and an acknowledgement is obtained from them .

No outsourcing of Client Registration Modalities .  
We do not entertain Walk-in Clients.

Hard Copies are kept separately.

5. FUNDS :

For Pay-In, cheques are received from the clients and on Pay-out, cheques are given to the clients except incase of clients who are maintaining running accounts, authority for which is given in writing.

Source of Pay-in for Own trading is Own funds. Separate Bank Accounts are maintained for clients funds and own funds.

We do not collect any Margin from clients.

Occasionally, funding is done to the clients without charging any interest.

Dividend received on behalf of clients is credited to the clients account on the same day. Own dividend is separately credited.

Incase of default of Remisiers Client, the amount of loss is shared with the Remisier. Incase of a direct client, the loss is borne by the company.

A Separate account is opened wherein Remisier's share of brokerage is credited on daily basis. Cheque payment is made to them as and when required by them.

No Third Party transfer of funds is allowed.

6. BOLT TERMINAL :

Orders are accepted on phone . We have very limited clients and they are all known to us .

We have not given any terminal outside our office and we have no branches. All our clients are known to us so there is no need to place any trading limit for each terminal / client.

We have only Three Terminals, all located in one place, so it is easy to have control on our operators.

There are only 2 approved users and hence, it is easy to keep a check on the expiry of their certification.

7. CONTRACT NOTES :

Printing of Contract Notes is centralized as we have only one office .

Contract Notes are printed Client Codewise irrespective of whether the client is local/out station or direct/Remisier's.

Contract Notes are numbered serially starting from No.1 every year.

Duplicate Contract Notes are filed separately. Acknowledgements are obtained in a peon book .

## 8. SECURITIES :

For Pay-in, Securities are received from clients who have sold them and on Pay-Out, Securities are directly credited to clients who have purchased them except in cases of clients who have instructed us in writing to keep the securities with us.

Client Beneficiary account and Own Beneficiary account are kept separately.

Client wise segregation of securities is maintained.

For Clients who have authorized us in writing, Client securities are maintained with us.

We do not transfer/accept Third Party Securities.

Clients securities are not misutilized for own purpose or for any other client.

## 9. INTERNET TRADING

We are not providing this facility to any of our clients.

## 10. Execution of POA (Power of Attorney) :

POA is not applicable .

## 11. Opening and closing of Branches :

We have NO Branches.

## 12. Closure of Clients Accounts / Dormant Accounts :

A Format of Request for Closure of Trading Account and Acceptance of the Request is available.

Incase of Dormant Account (6 months), such clients are referred to the Director who in turn talks to the client and satisfies about the reason for non operation of the account.

Incase of very old Dormant Account (2 years), such clients are referred to the 2 Directors who in turn talk to the client and satisfies about the reason for non operation of the account.

## 13. RECEIVING AND EXECUTION OF ORDERS :

Orders are accepted on phone . We have no Branches / SubBrokers / A.P's.

We have no client visiting our office for a trade.

We have very limited clients who are personally known to us as they are very old, which makes the identification easy.

**Policy for unauthentic news circulation**

All staff members including dealers and remisiers have been instructed not to circulate any news based on any unauthenticated sources like TV news channel , newspapers , verbal , etc.

Only news flashed on official BSE website ([www.bseindia.com](http://www.bseindia.com)) are to be considered as authentic and can be shared with clients/others .

### **Mechanism for Investor Grievance**

The Mechanism opted for the grievances raised by the Investors are being complied by the Compliance officer at the initial stages and if it not resolved in the prescribed time slot then the matter is addressed by the Directors personally.

We see to it that the grievances of investors are solved to their best benefit.