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### **Client Code Modification Policy**

Client Code Modification is done at the Order Level and not at Trade Level and Further the same is done at the trade date, during market hours and post market hours up to 4.15 p.m or such time as exchange may specify from time to time. As Such modifications of a client code will be at the order level; all trades in respect of that order shall be modified with the client code provided against the order.

- Proprietary trades are not allowed to be modified to client trades and vice-versa.
- Client Code Modification should be done only in exceptional circumstances to correct genuine errors in entering client codes.
- Client Code Modification shall be carried out by senior official. He shall be responsible to identify such genuine errors.
- In case of Code Modification for value up to 1% of total trade value for the trade date, Management approval is required. Such approval shall be oral or written.
- Further, in case of rejection of code modification from exchange, codes shall not be modified in the back office.
- There shall not be any back office code modification without exchange intimation and approval.
- Records for the Code Modification shall be retained by the person in charge.
- Person In charge also monitors the code modification requests from their dealers to identify the dealer making higher number of errors and report the same to the management. Such reporting may be either oral or written.
- All code modifications, which are not due to genuine errors, shall be rejected by the person in charge under due intimation to management, either orally or in writing.
- **Reporting Requirements:** In Case trades are modified for genuine errors, In BSE, BEFS System, the same are confirmed by providing reason after 5 pm before 6 pm on daily basis to comply BSE requirements.

- The penalty or fine, if any, levied on us for any wrong trade occurred due to any miscommunication from the client / authorized representative of the client shall be borne by the client.

### **Code of Conduct for Prevention of Insider Trading**

The Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, was amended on 22<sup>nd</sup> February 2002 (hereinafter referred to as "Regulations") in terms of which a Stock Broker is required, inter alia, to frame a Code of Conduct for Prevention of Insider Trading by Employees of a Stock Broker, including its Directors

In line with the said Regulations, the following Code of Conduct (hereinafter referred to as "the Code") has been adopted by **Krishna Multifarious Consultancy Pvt Ltd** (hereinafter referred to as "**KMC**"), Member of the Stock Exchange, Mumbai

The policy framed hereunder and any amendments made thereto from time to time shall be applicable to persons associated with the entities of **KMC** in the following capacities:

- Director
- Employee
- Remisier / Sub brokers / Authorised Persons / Business Associates
- Partner
- Dependant relatives of the above mentioned persons and Concern(s), Firm(s), Company(s), HUF(s), Trust(s) or Association of persons in which the above mentioned person/ dependant relative has a stake of more than 10%.

**Dependant relatives/entities** for the purpose of this policy include:

- Spouse
- Dependant Children
- Dependant brother/sister
- Dependant parents.
- Concern(s), Firm(s), Company(s), HUF(s), Trust(s) or Association of persons in which the persons to whom this policy is applicable has a stake of more than 10%.

#### **Appointment of Compliance Officer**

- **KMC** shall appoint a Compliance Officer reporting to the Managing Director/ Chief Executive Officer.
- The Compliance Officer shall be responsible for setting forth Policies and Procedures and monitoring adherence to the Rules for the preservation of "Price Sensitive Information", pre-clearing of all Designated Employees and their Dependents Trades (directly or through respective Department heads as decided by the **KMC**), monitoring of Trades and the Implementation of the Code of Conduct under the overall Supervision of the Directors
- The Compliance Officer shall also assist all the Employees / Directors in addressing any Clarifications regarding SEBI (Prohibition of Insider Trading) Regulations, 1992 and **KMC's** Code
- The Compliance Officer shall maintain a record of the Designated Employees and any Changes made in the List of Designated Employees

### **ACCESS CONTROL**

- Employees / Directors shall maintain the Confidentiality of all Price Sensitive Information. Employees / Directors must not pass on such Information directly or indirectly by way of making a Recommendation for the Purchase or Sale of Securities
- **Need to Know**
  - Price Sensitive Information is to be handled on a "Need to Know" basis, ie Price Sensitive Information should be disclosed only to those within **KMC**, who need the Information to discharge their Duty and whose Possession of such Information will not give rise to a Conflict of Interest or Appearance of Misuse of the Information
  - Limited Access to Confidential Information
  - Files containing Confidential Information shall be kept Secure. Computer Files must have Adequate Security of Login and Password, etc
- **Chinese Wall**
  - To prevent the Misuse of Confidential Information, **KMC** shall adopt a "Chinese Wall" Policy which separates those Areas of **KMC**, which routinely have access to Confidential Information, considered "Inside Areas" from those Areas which deal with Sale / Marketing / Investment Advise or other Departments providing Support Services, considered "Public Areas"
  - The Employees in the Inside Area shall not communicate any Price Sensitive Information to anyone in Public Area
  - The Employees in Inside Area may be physically segregated from Employees in Public Area
  - Demarcation of the various Departments as Inside Area may be implemented by **KMC**
  - In Exceptional Circumstances, Employees from the Public Areas may be brought "Over the Wall" and given Confidential Information on the basis of "Need to Know" Criteria, under Intimation to the Compliance Officer

### **(3) Prevention of Misuse of Price Sensitive Information**

- Employees / Directors shall not use Price Sensitive Information to Buy or Sell Securities of any sort, whether for their Own Account, their Relative's Account, **KMC** Account or a Client's Account. The following Trading Restrictions shall apply for Trading in Securities
- **Pre-clearance of Trades**
  - All Directors / Designated Employees of **KMC**, who intend to deal in the Securities of the Client Company (above a Minimum Threshold Limit to be determined by **KMC**) shall pre-clear the Transactions as per the pre-dealing Procedure as described hereunder
  - An Application may be made in such form as **KMC** may specify in this regard, to the Compliance Officer indicating the Name and Estimated Number of Securities that the Designated Employee / Director intends to deal in, the Details as to the Depository with which he has a Security Account, the Details as to the Securities in such Depository Mode and such other Details as may be required by any rule made by **KMC** in this behalf

- An Undertaking shall be executed in favor of KMC by such Designated Employee / Directors incorporating, inter alia, the following Clauses, as may be applicable
  - i That the designated Employee / Director does not have any Access or has not received any "Price Sensitive Information" upto the time of signing the Undertaking
  - ii That in case the designated employee / director/partner has access to or receives "Price Sensitive Information" after the signing of the undertaking but before the execution of the transaction he/she shall inform the Compliance officer of the change in his position and that he/she would completely refrain from dealing in the securities of the client company till the time such information becomes public.
  - iii That he / she has not contravened the Code of Conduct for prevention of Insider Trading as specified by **KMC** from time to time
  - iv That he / she has made a Full and True Disclosure in the matter

#### **(4)Restricted / Grey List**

- In order to monitor Chinese Wall Procedures and Trading in Client Securities based on Inside Information, **KMC** shall restrict Trading in certain Securities and designate such List as Restricted / Grey List
- Security of a Listed Company shall be put on the Restricted / Grey List if **KMC** is handling any Assignment for the Listed Company or is preparing Appraisal Report or is handling Credit Rating Assignments and is Privy to Price Sensitive Information
- Any Security, which is being purchased or sold or is being considered for Purchase or Sale by **KMC** on behalf of its Clients / Schemes of Mutual Funds, etc shall be put on the Restricted / Grey List
- As the Restricted List itself is a Highly Confidential Information it shall not be communicated directly, or indirectly to anyone outside **KMC**. The Restricted List shall be maintained by Compliance Officer
- When any Securities are on the Restricted List, Trading in these Securities by Designated Employees / Directors may be blocked or may be disallowed at the time of pre-clearance

#### **(5)Other Restrictions**

- All Directors / Designated Employees shall execute their Order within One Week after the approval of pre-clearance is given. If the Order is not executed within One Week after Approval is given, the Employee / Director must pre-clear the Transaction again
- All Directors / Designated Employees shall hold their Investments for a Minimum Period of 30 Days in order to be considered as being held for Investment Purposes
- The Holding Period shall also apply to Purchases in the Primary Market (IPOs). In the case of IPOs, the Holding Period would commence when the Securities are actually allotted
- In case the Sale of Securities is necessitated by Personal Emergency, the Holding Period may be waived by the Compliance Officer after recording in Writing his / her reasons in this regard
- Analysts, if any, employed with **KMC** while preparing Research Reports of a Client Company(s) shall disclose their Share Holdings / Interest in such Company(s) to the Compliance Officer
- Analysts, who prepare Research Report of a Listed Company shall not Trade in Securities of that Company for 30 Days from Preparation of such Report

**(6)Penalty for Contravention of the Code**

- Any Designated Employee / Director who trades in Securities or communicates any Information or counsels any Person Trading in Securities, in Contravention of the Code may be penalized and appropriate Action may be taken by KMC
- Designated Employees / Directors of KMC, who violate the Code may also be subject to Disciplinary Action by the Company, which may include Wage Freeze, Suspension, etc
- The Action by KMC shall not preclude SEBI from taking any Action in case of Violation of SEBI (Prohibition of Insider Trading) Regulations, 1992
- In case it is observed by KMC / it's Compliance Officer that there has been a Violation of these Regulations, SEBI shall be informed by KMC.

**(7)Listed Intermediaries to comply with both Part A and B of Schedule I**

- The Intermediaries such as Credit Rating Agencies, Asset Management Companies, or Broking Companies etc whose Securities are listed in Recognised Stock Exchange shall comply with both Part A and Part B of this Schedule in respect of its Own Securities and Client's Securities

This Policy shall be reviewed on yearly basis or as and when regulatory changes occur.



## **ERROR POLICY**

This Policy is established pursuant to SEBI and Exchange circulars to bring consistency in the process of client code modification across the market.

A Fresh client code as per exchange guideline shall be created in back office and UCC/UCI of the same shall be made to the respective exchanges and Such Client Code shall be termed herein after as Error Code.

Please note that the following errors qualify for consideration as a Questioned Error Trade under this Policy and will be accepted by Authorised person for modification.

- Error due to communication and/or punching or typing such that the original client code/name and the modified client code/name are similar to each other.
- Error due to punching of trades in relatives clients ((Relative for this purpose would mean 'Relative' as defined under sec. 6 the Companies Act, 1956)
- An error in entering a buy/sell when the intent was to enter a sell/buy.
- An error caused by entering the wrong month, the wrong quantity or the wrong product.
- Un confirmed Institutional Trades
- Fraction quantity trades

All the above type of trades is to be reported to person in charge before the end of day or closure of code modification window.

Operation Head / Compliance Officer/ Directors shall make decision on case to case basis , whether to transfer such error trades to error code or not.

All such transfer shall be reported to exchange in the prescribed format/method.

Trades transferred to Error code must be liquidated in the market and must not be shifted to some other client code.

Penalty:

Any transfer of trade (institutional or non-institutional) to error account of the broker would not be treated as modification of client code and would not attract any amount of penalty, provided the trades in error account are subsequently liquidated in the market and not shifted to some other client code.



This policy has been put before board and board has approved the same.

This policy shall be reviewed periodically or as and when regulatory requirements are to be updated/ modified.

## **INVESTOR COMPLAINT REDRESSAL MECHANISM**

- The company has a designated investor grievances email id [kmc.grievances@gmail.com](mailto:kmc.grievances@gmail.com) on which the client or investor can make a complaint.
- Compliant Register is also made available at all our branches/AP places and at Head Office to register a compliant.
- An Investor / client can make a written complaint through letter also.
- Designated person shall login the designated investor grievances email id on daily basis to look after the investor complaint whether new Complaint has been lodged or not.
- The full detail of the written complaint must be passed to the concerned department and inform the compliance officer of the company as soon as it is received.
- A letter or mail must be written to all the investor who have submitted written complaints by the designated person or Compliance Officer acknowledging receipt of the complaint and informing them it will be dealt with.
- Compliance Department will obtain all information available on the complaint which is considered necessary for a proper investigation. Look into all the necessary information and resolve the as soon as possible.
- There is standing policy of the company to resolve the investor complaint within seven days of the receipt of the same except the complicated case.
- A serious complaint (where the written response does not settle the issue) must be referred to the director of the company.
- The Compliance Officer of the Company shall review the investor complaint register on weekly basis to find out whether complaint has been resolved within time or not.
- Long Pending Grievances shall be referred to Director of company and the same shall be resolved on Urgent basis and if client is not satisfied ,he may refer to arbitration.

### **Internal Control Policy:**

#### **Objectives:**

- To ensure that the company and its various departments are run in accordance with management policies
- To ensure that the company does not suffer any losses due to lack of controls
- To plug the loopholes that could lead to revenue leakages

#### **Policy:**

#### **Reporting Authorities:**

Staff in departments would report to their respective function heads

All functional heads would report to Board of Directors

#### **Maker- Checker Policy:**

All divisions will have maker-checker system in place

There would be two levels of controls exercised. All transactions would be authorized by respective department heads. High value transactions (above 5 lakhs) would require additional authorization of directors.

Cheque signing authority would be restricted to specified persons.

Delivery Instruction slips signing authority would be restricted to specified persons.

Further following activities would require approval of directors

-Changes in brokerage master

-Changes in depository charges

- Capital Expenditure

#### **Internal Audit:**

Stock Broking Division would be subjected to internal audit as per SEBI Circular. Internal audit would be conducted by independent CA firm. Internal auditors would review various departments as per audit program agreed mutually with the management and as per SEBI guideline. Internal auditors would directly report to Board of Directors. Further CDSL DP department would be subjected to concurrent audit as mandated by CDSL.

**Client Registration, Documents maintenance:**

This is on going process and we regularly receive applications for registration as Client for broking/DP business. At HO experienced persons are entrusted with the work of Registering New Clients. New Forms received to be checked document as per exchange by one person and is rechecked by another and then submitted to the Authorized Person to sign the documents. A copy of the signed Form is given to the Client. KYC is stored in Fire proof Cabinet. We will not entertain the direct clients without knowing their past history & the financial details.

**Bank and Demat Accounts:**

Client Bank Account will be used only for the purpose of receiving and paying funds from the clients. For the payments of expenses the business account will be used. Fund Transfers between all the bank accounts will be allowed as per requirements.

The company will maintain client's securities in a designated account called the Client Beneficiary Account or Client Margin Account. The securities of the company will be kept in a separate demat account termed as Own Beneficiary Account. The clients and own securities will not be mixed with each other.

**Third Party Control:**

The cheques from the clients will only be accepted from the accounts for which the client has submitted the proof to the company. In case of any receipt from the accounts for which the proof is not available the same will be demanded from the clients. Payments for the payouts will only be made to the clients and not to any third party. Further, This control shall be established in the back office, which will not accept any cheque entry from Banks which are not registered in the software.

The shares from the clients will only be accepted from the accounts for which the client has submitted the demat proof to the company. In case

of any receipt from the accounts for which the proof is not available the same will be demanded from the clients.

**Allotment of Terminals and Order Execution:**

As a Policy matter, BOLT Terminals shall not be provided to any person outside head office or branch. IML terminals shall be allotted only to the approved user. We have a proper system to check the validity of approved user and ensure that certificate of approved users has not expired. Whenever, a trading terminal is not required by the person to whom it is allotted, we surrender the terminal to the Exchange.

We have a RMS system that is responsible for determining the trading limit for each terminal / client. We receive the order from clients manually as well as telephonically. We executed order telephonically after confirming the client identification by asking some personal information from the clients for ensuring that only authorised trades is executed. After market hours the dealer inform to all clients regarding their transaction in the market. In later stage after processing of back office, contract note and trade confirmation sent to the clients.

**Contract Notes**

Contract Note shall be printed on centralized basis and issued it to all clients for trades (purchase/sale of securities) executed with all relevant details as required there in. A digital contract note is issued to a client within 24 hrs of the execution of trade with attachment of digital certificate of authorized signatory and log file for the same is maintained. Contract notes No. are maintained on financial year basis.

**Statement of Funds and Securities and Actual settlement:**

The statement of funds and securities will be sent to the clients on a quarterly basis within one month of the end of the relevant quarter as it will help avoid discrepancies in future. Digitally Signed Statement of Funds and securities shall be provided to clients and logs for the same shall be maintained by us.

As per SEBI and Exchange Guidelines, member is required to settle client funds and securities except FDs and BGs once in a calendar quarter or month as per client's settlement preference. Further, on Actual settlement of Funds and Securities, we shall send Statement of funds and Securities in electronic mode within reasonable time line explaining retention of funds and securities.

While settling client's Funds and Securities, we shall retain followings;

- Settlement obligation of T Day and Next Day Projected Settlement Obligation @ 100% of T Day Settlement Obligation.
- Intra Day Buy Value + Intra Sell value
- Auction Value
- 175% of Exposure and Initial Margin

#### **Opening and Closing of branches offices:**

If management wishes to start up a Branch in an area where company is not operating, the first priority is to ensure that there is sufficient interest and commitment to start new branch office. The management will pull out the details of persons living in the area, for the interested party to look at and if required they shall be interviewed. It is important that no Branch should be a 'one man band' operation. A number of staff within the branch could start, but the ideal is to have a small but sound core of people from a broking background, who live in the geographical area.

If a Branch is unable to produce brokerage equal to break even for a year or more, and is unable to add more clients, it is generally felt better that the Branch should close and clients be given the chance to be re-assigned to other local Branches or near by branches. If it is clear that the Branch cannot continue, 30 days advance intimation with regard to the same is to be given to the clients.

#### **Monitoring of Branches/ Sub Brokers/DP Operation etc**

We have a centralized system for the back office and accounting procedures. The branches are under direct control of the management. 20% of Sub Brokers/Branch/AP shall be inspected Every Year and follow up shall be taken to implement observations made during inspection. Every Five years, Steps to be taken that all Branches/AP/SB are covered through Inspection. Such Inspection shall be carried out as per Checklist approved by Management.

#### **Transfer of Trades:**

Trades must not be transferred from PRO to Client or Client to Pro and Further any modification of codes shall be governed by Code Modification Policy and Back office Code modification must not be allowed. Further Error Policy is also drafted for transferring trades to Error Account.

#### **Closure of Client accounts / Dormant account**



Closure of client account, deregistering client account, in active account, dormant account shall be governed by Policy and Procedures as prescribed in client registration document.

**Operations & Compliance Requirements:**

Due care is taken to see that all compliances and operation procedures are as per those specified by the exchange and are updated accordingly.

**Record Maintenance**

All physical records like Client Registration Forms -Contract Notes- Bank records is kept at HO. To prevent the misuse of confidential information a "Chinese Wall" policy will be adopted in terms of SEBI (Prohibition of Insider Trading) Regulations, 1992.

This policy shall be reviewed periodically and updated as per requirements.



## **ANTI MONEY LAUNDERING AND KNOW YOUR CUSTOMER GUIDELINE**

### **Objectives**

In response to the international community's growing concern about the problem of money laundering and potential terrorist financing, many countries around the world are enacting or strengthening their laws and regulations regarding this subject.

Anti Money Laundering Act, 2002 was passed by Indian Parliament in the year 2002 and the Act became effective from 1st July, 2005.

The Act specifies statutory duties for Banking companies, Financial Institutions and Intermediaries. The compliance with these duties is intended to supplement the law enforcement authorities activities, to detect proceeds derived from serious crimes and help to effectively prevent money laundering, terrorist financing, and recycling of illegally obtained money.

The purpose of this policy is to establish the general framework for the fight against money laundering, terrorism, financial crimes and corruption.

Member is committed to examining its Anti - Money Laundering strategies, goals and objectives on an ongoing basis and maintaining an effective Anti - Money Laundering program for its business that reflects the best practices for a diversified, retail financial services firm.

### **Background of the Anti Money Laundering Act, 2002 (AMLA)**

#### ***Global Framework:***

In response to mounting concern over money laundering world wide the G-7 Summit held in Paris in 1989 established a policy making body, having secretariat at Organisation for Economic Co-operation and Development (OECD), which works to generate the necessary political will to bring about national legislative and regulatory reforms to combat money laundering and terrorist financing.

The World Bank and the IMF have also established a collaborative framework with the FATF for conducting comprehensive AML/CFT assessments of countries' compliance with the FATF 40+8 Recommendations, using a single global methodology.

India has been accorded 'Observer' status

### ***Indian Framework:***

The Prevention of Money Laundering Act, 2002 came into effect from 1st July 2005. Necessary notifications/ rules under the said Act were published in the Gazette of India on 1st July 2005 by the Dept of Revenue, Ministry of Finance, Government of India

Subsequently, SEBI issued necessary guidelines vide circular no. ISD/CIR/RR/AML/1/06 dated 18th January 2006 to all securities market intermediaries registered under section 12 of the SEBI Act, 1992

Guidelines were issued in the context of recommendations made by the Financial Action Task Force (FATF) on anti-money laundering standards.

SEBI issued master circular ISD/AML/Cir-1/2008 on December 19,2008 consolidating all the requirements/ obligations issued with regard to AML/ CFT till December 15, 2008

### **Applicability of PMLA Act**

- ⇒ Banking company
- ⇒ Financial institution
- ⇒ Intermediary (which includes a stock broker ,DP, sub-broker, share transfer agent, portfolio manager, other intermediaries associated with securities market and registered under section 12 of the SEBI Act,1992)

shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Such transactions include:

- ⇒ All cash transactions > Rs 10 lacs or its equivalent in foreign currency.
- ⇒ All integrally connected series of cash transactions < Rs 10 lacs or its equivalent in foreign currency within one calendar month.
- ⇒ All suspicious transactions

## **What is Money Laundering?**

Money Laundering involves disguising financial assets so that they can be used without detection of the illegal activity that produced them.

Through money laundering, the launderer transforms the monetary proceeds derived from criminal activity into funds with an apparent legal source.

Money laundering is the process by which criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities.

The term "Money Laundering" is also used in relation to the financing of terrorist activity (where the funds may, or may not, originate from crime).

Money Laundering is a process of making dirty money look clean.

Money is moved around the financial system again and again in such manner that its origin gets hidden.

## **Need for Anti Money Laundering:**

It has become more evident that the next generation of identity thieves will deploy sophisticated fraud automation tools

The increased integration of the world's financial systems and the removal of barriers to the free movement of capital have enhanced the ease with which criminal money can be laundered

Every year, huge amounts of funds are generated from illegal activities. These funds are mostly in the form of cash

The criminals who generate these funds try to bring them into the legitimate financial system  
Over \$1.5 trillion of illegal funds are laundered each year

Successful money laundering activity spawning yet more crime, exists at a scale that can and does have a distorting and disruptive effect on economies, marketplaces, the integrity of jurisdictions, market forces, democracies etc.

## Consequences of Money Laundering

### ***Finances Terrorism:***

Money laundering provides terrorists with funds to carry out their activities

### ***Undermines rule of law and governance:***

Rule of Law is a precondition for economic development – Clear and certain rules applicable for all.

### ***Affects macro economy:***

Money launderers put money into unproductive assets to avoid detection.

### ***Affects the integrity of the financial system:***

Financial system advancing criminal purposes undermines the function and integrity of the financial system

### ***Reduces Revenue and Control:***

Money laundering diminishes government tax revenue and weakens government control over the economy

## Suspicious Transaction

Suspicious Transaction means a transaction whether or not made in cash which, to a person acting in good faith:

- Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime
- Appears to be made in circumstances of unusual or unjustified complexity
- Appears to have no economic rationale or bonafide purpose
- Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

- Identity verification or address details seems difficult or found to be forged / false
- Asset management services where the source of the funds is not clear or not in keeping with apparent standing /business activity
- Substantial increases in business without apparent cause
- Unusual & Unexplained large value of transaction
- Transfer of large sums of money to or from overseas locations
- Unusual & Unexplained activity in dormant accounts

### Stages of Money Laundering

Although money laundering is a complex process, it generally follows three stages:

- **Placement** is the initial stage in which money from criminal activities is placed in financial institutions. One of the most common methods of placement is structuring—breaking up currency transactions into portions that fall below the reporting threshold for the specific purpose of avoiding reporting or recordkeeping requirements.
- **Layering** is the process of conducting a complex series of financial transactions, with the purpose of hiding the origin of money from criminal activity and hindering any attempt to trace the funds. This stage can consist of multiple securities trades, purchases of financial products such as life insurance or annuities, cash transfers, currency exchanges, or purchases of legitimate businesses.
- **Integration** is the final stage in the re-injection of the laundered proceeds back into the economy in such a way that they re-enter the financial system as normal business funds. Banks and financial intermediaries are vulnerable from the Money Laundering point of view since criminal proceeds can enter banks in the form of large cash deposits.

## **Anti Money Laundering – KYC Standards**

a) The objective of the KYC guidelines is to prevent Stock Broker & DP from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures enable Stock Broker & DP to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently. The KYC policy of the Stock Broker & DP incorporates the following four elements:

- i. Customer Acceptance Policy (CAP)
- ii. Customer Identification Procedures (CIP)
- iii. Monitoring of Transactions; and
- iv. Risk Management

b) A customer for the purpose of KYC Policy is defined as:

- ⇒ A person or entity that maintains an account and/or has a business relationship with the Stock Broker and DP
- ⇒ One on whose behalf the account is maintained (i.e., the beneficial owner)
- ⇒ Any person or entity connected with a trading transaction which can pose significant reputational or other risks to the Stock Broker & DP, say, a circular trading, off market transactions,

### **I Customer Acceptance Policy (CAP)**

a) The following Customer Acceptance Policy indicating the criteria for acceptance of customers shall be followed.

The **Member** shall accept customer strictly in accordance with the said policy:

- i. No account shall be opened in anonymous or fictitious/benami name(s)
- ii. Parameters of risk perception shall be clearly defined in terms of the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social

and financial status etc., to enable categorization of customers into low, medium and high risk called Level I, Level II and Level III respectively; Customers requiring very high level of monitoring e.g., Politically Exposed Persons (PEPs) may be categorized as Level III

iii. The Member shall collect documents and other information from the customer depending on perceived risk and keeping in mind the requirements of AML Act, 2002 and guidelines issued by SEBI/Exchange from time to time

iv. The Member shall close an existing account or shall not open a new account where it is unable to apply appropriate customer due diligence measures i.e., Member is unable to verify the identity and/or obtain documents required as per the risk categorization due to non cooperation of the customer or non reliability of data/information furnished to the Member. The Member shall, however, ensure that these measures do not lead to the harassment of the customer. Further, the customer should be given a prior notice of at least 30 days wherein reasons for closure of his account should also be mentioned.

vi. The Member shall make necessary checks before opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc. RBI/SEBI/Exchange has been circulating lists of terrorist entities notified by the Government of India so that Stock Broker & DP exercise caution against any transaction detected with such entities.

The Member shall invariably consult such lists to ensure that prospective person/s or organizations, desirous to establish relationship, are not in any way involved in any unlawful activity and that they do not appear in such lists.

b) The Member shall prepare a profile for each new customer based on risk categorization. The nature and extent of due diligence shall depend on the risk perceived by the Member. The KYC Staff should continue to follow strictly the instructions regarding secrecy of customer information. KYC Staff should bear in mind that the adoption of customer acceptance policy and its implementation does not become too restrictive and should not result in denial of broking services to general public, especially to those, who are financially or socially disadvantaged.



c) The risk to the customer shall be assigned on the following basis:

**i. Low Risk (Level I):**

Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as low risk. The illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government Departments and Government owned companies, regulators and statutory bodies etc. In such cases, only the basic requirements of verifying the identity and location of the customer shall be met.

**ii. Medium Risk (Level II):**

Customers that are likely to pose a higher than average risk to the Stock Broker & DP may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc; such as:

- a) Persons in business/industry or trading activity where the area of his residence or place of business has a scope or history of unlawful trading/business activity.
- b) Where the client profile of the person/s opening the account, according to the perception of the Member is uncertain and/or doubtful/dubious.

**iii. High Risk (Level III):**

The Member may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear. The examples of customers requiring higher due diligence may include

- a) Non Resident Customers,
- b) High Net worth individuals
- c) Trusts, charities, NGOs and organizations receiving donations,
- d) Companies having close family shareholding or beneficial ownership
- e) Firms with 'sleeping partners'

- f) Politically Exposed Persons (PEPs) of foreign origin
- g) Non-face to face customers, and
- h) Those with dubious reputation as per public information available, etc.

The persons requiring very high level of monitoring may be categorized as Level IV.

## **II. Customer Identification Procedure (CIP)**

a) Customer identification means identifying the person and verifying his/her identity by using reliable, independent source documents, data or information. The Member need to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of broking relationship. Being satisfied means that the Member is able to satisfy the competent authorities that due diligence was observed based on the risk profile of the customer in compliance of the extant guidelines in place. Besides risk perception, the nature of information/documents required would also depend on the type of customer (individual, corporate, etc). For customers that are natural persons, the Member shall obtain sufficient identification data to verify the identity of the customer, his address/location, in person verification and also his recent photograph. For customers that are legal persons or entities, the Member shall (i) verify the legal status of the legal person/entity through proper and relevant documents (ii) verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person (iii) understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person.

b) If the Member decides to accept such accounts in terms of the Customer Acceptance Policy, the Member shall take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are.

## **III Monitoring of Transactions**

a) Continuous monitoring is an essential ingredient of effective KYC procedures and the extent of monitoring should be according to the risk sensitivity of the account. Member shall

pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. Transactions that involve large amount of trading activity inconsistent with the size of the balance maintained may indicate that the funds are being 'washed' through the account. High risk accounts shall be subjected to intensive monitoring.

b) No Cash Transaction should be allowed. Demand Draft shall be accepted only in exceptional cases and a declaration regarding legitimate income source shall be taken from the client giving payment through Demand Draft. A register detailing date of DD, Client Code, Name, PAN, DD amount and reason for giving DD shall be maintained and reviewed to prevent frequent DD transaction from the particular client. Further, If prefunded instruments amount is more than or equal to 50,000 per day per client, proofs as required by SEBI are to be taken on record before acceptance of instrument. The Member shall continue to follow strictly the instructions regarding suspicious transactions issued threshold limit of Rs.10 lakh and required to maintain proper record of the same.

c) The KYC Department shall ensure adherence to the KYC policies and procedures. All staff members shall be provided training on Anti Money Laundering. The focus of training shall be different for front office staff, back office staff, compliance staff, senior level staff and staff dealing with new customers.

#### **IV Risk Management**

a) KYC policies and procedures cover management oversight, systems and controls, segregation of duties, training and other related matters. For ensuring effective implementation of the KYC policies and procedures, the Member shall prepare risk profiles of all their existing and new customers and apply Anti Money Laundering measures keeping in view the risks involved in a transaction, account or broking/business relationship.

b) Training encompassing applicable money laundering laws and recent trends in money laundering activity as well as the Stock Broker and DP's policies and procedures to combat money laundering shall be provided to all the staff members periodically in phases.

c) A threshold limits for particular group of accounts shall be prescribed and staff shall pay particular attention to the transactions which exceed these limits. The threshold limits shall be reviewed annually and changes, if any, conveyed to Staff for monitoring.

d) The Stock Broker and DP's internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures. The compliance function shall provide an independent evaluation of the Stock Broker & DP's own policies and procedures, including legal and regulatory requirements. Concurrent/Internal Auditors shall specifically check and verify the application of KYC procedures at the Member's end and comment on the lapses observed in this regard. The compliance in this regard shall be put up before the board on half yearly intervals.

### **Employee Hiring & Training**

All the proposed application for employment shall be taken only from the person who have valid reference of our existing staff and /or have relations with the present staff and directors. It is prudent to also verify education and employment information which uniquely qualifies candidates for the position. In addition, it is strongly recommended that reference checks be completed prior to making the hiring decision. Further, if employee is for the post of dealer, NCFM/BCSM certification shall also be verified as a condition of employment. It is strongly recommended that employment verification be completed within one week of making an offer of employment to any individual. It is strongly recommended that educational and NCFM/BCSM verifications be completed within one week of making an offer of employment to any individual. After completing all the above procedures and formalities of employee screening, the company shall appoint the employee with the negotiated terms and conditions.

Further, Employees are trained with regard to compliance & Operational requirement of broking & DP entities. Also regulatory knowledge w.r.t Depository, Stock Exchange , Money Laundering, etc are also imparted so that compliance & Business risk of Broker & DP are minimized.

### **Customer Education**

Implementation of KYC procedures requires Member to demand certain information from the customers that may be of personal in nature or which have hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. Therefore, the front desk staff needs to handle such situations tactfully while dealing with customers and educate the customer of the objectives

of the KYC programme. The Member shall also be provided specific literature/pamphlets to educate customers in this regard.

**Disclaimer:**

The information contained in this material is intended only for the use of the entity to whom it is addressed and others authorized to receive it. It may contain confidential or legally privileged information. The addressee is hereby notified that any disclosure, copy, or distribution of this material or the contents thereof may be unlawful and is strictly prohibited.

### **Policy for Pre funded Instruments**

Pre-funded Instrument means Demand Draft, Pay Orders, Fund Transfer through Internet, RTGS, etc

This Policy covers such Pre – funded Instruments of Amount Exceeding Rs. 50,000/- Per Client per Day. Demand Draft and Pay order should not be prepared on behalf of clients.

Demand Draft and Pay order of amount exceeding Rs. 50000/- should not be accepted. Payment in the form of Demand Draft and Pay order should be accepted in exceptional cases and within the above specified limits. The Prefunded Instruments must be accepted only in following special circumstances;

- Bank Holidays.
- Client having account in other Banks or in Co-operative bank
- To Meet Immediate Margin/Settlement Shortfall
- To take Fresh Position
- Client's bank or City do not have clearing facility / branch.
- Such Acceptance is approved by SEBI/Exchange Norms.
- Default Client

If we have to accept demand draft, Pay order or ECS for amount exceeding Rs. 50000/-, following proof shall be taken on record after taking prior approval of directors.

- i. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
- ii. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
- iii. Certified copy of the passbook/bank statement for the account debited to issue the instrument.
- iv. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.

The Prefunded Instruments must be accepted only in cases mentioned above and not otherwise. Approval for acceptance must be taken by either of the executive Directors or the Managing Director and only then credit should be given.

# **Policy for Prevention Regarding Unauthenticated News Circulation**

## **Preface**

SEBI has vide its circular dated March 23, 2011 has expressed concern over spreading of market rumours by sub-brokers of brokerage firms, sub-brokers etc. It has further stated that spreading of unauthenticated news and rumors etc. can do considerable damage to the normal functioning and behavior of the market and distort the price discovery mechanisms. The damage which can be caused by circulation of unauthenticated news or rumors is enormous.

SEBI has given various directions in this regard as mentioned below:

- Proper internal code of conduct and controls should be put in place.
- Sub-brokers/temporary staff/voluntary workers etc. employed/working in the offices of market intermediaries do not encourage or circulate rumors or unverified information obtained from client, industry, any trade or any other sources without verification.
- Access to Blogs / Chat forums / Messenger sites etc. Should either be restricted under supervision or access should not be allowed.
- Logs for any usage of such Blogs / Chat forums / Messenger sites (called by any nomenclature) shall be treated as records and the same should be maintained as specified by the respective Regulations which govern the concerned intermediary.
- Sub-brokers should be directed that any market related news received by them either in their official mail/personal mail/ blog or in any other manner, should be forwarded only after the same has been seen and approved by the concerned Intermediary's Compliance Officer.

## **SCOPE**

All Employees, Staff, sub-brokers including franchisees, remisiers, authorized persons have to abide by this code of conduct

## **Code of Conduct**

- KMC code of conduct lays down various measures to prevent spreading of unauthenticated stock specific news, information or market rumors etc. that may damage the normal functioning of the market or disturb the market equilibrium.
- No sub-broker/Employee/Staff/AP/Remisier shall circulate in any physical or electronic form through any official or personal mode any unauthenticated stock specific news, information or market rumors etc. received/obtained from client, industry, any trade or any other sources that may damage the normal functioning of the market or disturb the market equilibrium without explicit written approval of the authorized person.
- Price sensitive information means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of company. The following shall be deemed to be price sensitive information:



- Periodical financial results of the company;
  - Intended declaration of dividends (both interim and final);
  - Issue of securities or buy-back of securities;
  - Any major expansion plans or execution of new projects;
  - Amalgamation, mergers or takeovers;
  - Disposal of the whole or substantial part of the undertaking;
  - Any significant changes in policies, plans or operations of the company.
- Unpublished means information which is not published by the company or its agents and is not specific in nature. Explanation: Speculative reports in print or electronic media shall not be considered as published information.
  - The modes of circulation include but are not restricted to personal conversation, telephone call, fax, letter, sms, e-mail, blogs, chat forums, social networking sites etc.
  - Any information that is proposed to be circulated should be backed by **KMC** research data, the records of which should be retrievable.
  - All e-mails containing any unauthenticated information should contain a disclaimer. This disclaimer should not be changed in any case unless communicated by **KMC** to do so. **KMC** will add the disclaimer by default to all e-mail IDs in most India domain.
  - Any advertisement, visiting cards or any other collateral through any print or electronic media needs to be approved by **KMC** before being released. This includes but is not restricted to advertisements through newspaper, leaflets, pamphlets, stickers, banners, hoardings, posters, TV, radio, websites etc. Please refer to Annexure B for the process of getting, visiting cards/advertisements/collaterals approval.
  - Any sub-broker/Employee/Staff/AP/Remisier having his/her website/social networking ID needs to sign a declaration as mentioned in Annexure C before 31st May 2011. Those sub-brokers who do not have websites/social networking IDs as of now but plan to launch the website/create a social networking ID in future need an approval from **KMC** before doing so. The detailed process for approval is mentioned in Annexure C.
  - Any violation of the Code of Conduct would constitute an act of misconduct which may result in disciplinary action, up to and including termination of agreement.
  - Violations of the Code of Conduct may also constitute violations of law and may result in prosecution by regulatory authorities
  - Sub-broker/Employee/Staff/AP/Remisier who suspects violations of the letter or spirit of the above code has an obligation to report their concerns to the designated Compliance Officer.
  - If you have any questions regarding the best course of action in a particular situation, you should promptly contact the Compliance Officer.
  - This Code of Conduct will be reviewed every year or as and when needed by a panel consisting of Management Committee members and the Compliance Officer
  - Kindly ensure that "No advertisement/collateral shall be released unless an approval is received from the respective Exchanges."

## **Risk Management Policy**

### **Preamble**

**Krishna Multifarious Consultancy Pvt Ltd is registered with The Bombay Stock Exchange Limited as Trading Member in BSE Cash and Derivative Segment and CDSL as Depository Participants. We are regulated by the Securities and Exchange Board of India (SEBI) as a stock broker and depository participant. Further, we are regulated by stock exchanges and depository through their notices, circulars, rules, regulations, and bye laws.**

Risk is the potential harm that may arise from some present process or from some future event. It is often mapped to the probability of some event which is seen as undesirable.

Risk Management is process of measuring, or assessing risk and then developing strategies to manage the risk. Typically involves utilizing a variety of techniques, models and financial analyses.

MEMBER is exposed to variety of risks including market, credit, liquidity, operational and other risk that are material and require comprehensive controls and ongoing oversight.

The risk management framework of MEMBER for its business is based upon the different client segments, applicable settlement mechanism and SEBI/Stock Exchange/Depository regulations.

We set out below the principles of our risk management framework:

### **1. RISK MANAGER**

For smooth operational efficiency, a full time Risk Manager will be available with full control a tool that manages the surveillance system. However Risk Manager is bound to perform some of the operations which are listed below

- There may be cases when client is not able to connect the online trading program, may be because of Internet failure, system breakdown etc. At these situations, it will be responsibility of RM to execute trade on telephonic conversation with respective client, if the client wants to do so. But only in clients login.
- If the total margin required at the commencement of the day falls short by more than 10% ( Expressed as a % of margin required i.e. IM + EM ), the risk manager will be authorized to square off open positions of his choice and client will be able to trade only to close positions already open. (GE = 0) However Risk manager will take oral confirmation for such square off.
- Our risk manager will be authorized to cut off client's position at the end of the day if the positions are exceeding margin requirements by 3:10 PM. Risk manager will be free to select which position he should square off under due intimation to client.
- Risk Manager is required to give margin utilized details, M2M details, account position details etc. at any time to the clients who requires the same.
- Risk Manager will be available to monitor the operations and for solving queries arising during trading hours.
- Risk Manager is liable to restrict the client if he is not following trading standards set.
- Risk Manager shall take proper steps to prevent clients from trading in illiquid scrips.
- Risk Manager shall be authorized to refuse acceptance of orders in penny stocks.
- It shall be the duty of risk manager to report any significant event, which may have

adverse impact on company's business, to the senior officer.

- Risk Manager has to continuously monitor margin utilization of the company and report immediately to the senior officer or designated person if it crosses beyond 80%.

## **2. REGISTERING A CLIENT**

While registering a client, due care is required to be taken regarding identity of clients. Due diligence process as enumerated in the Anti Money Laundering Policy with regard to registration of clients and continuing updation of client information shall be followed.

## **3. CLIENT ADMINISTRATION**

Any changes, locking, unlocking, swapping in Client, Client Profile, and Segment shall be done by Sr. Executive –Risk under specific approval from Risk Head.

## **4. CLIENT PASSWORDS**

- For a new client password should be auto generated, without human intervention and should be automatically mailed to the client from within the Surveillance system.
- In case request for change of password, the same procedure shall apply as for creation of the password for the first time. The client shall have to first provide his credentials like PAN, email-id or such other parameters as may be decided by the RMS Team.
- In case a client gets locked for any reason, it should be unlocked only on a specific request by the client and after verification of client credentials. The unlocking can be done only by the Surveillance Risk Head through Surveillance terminal.
- Once a client is provided with a password the client will be forced to change the password mandatorily after first login.

## **5. EXPOSURE AND LIMIT SETTINGS**

Risk control parameters are inbuilt in the front end system on the basis of which the clients are prevented from taking further position and risk.

Such parameters are;

- Gross Exposure Limits
- Turnover Limits
- Mark to Market Limits
- Buy and Sell Limits

Above parameters are expressed as multiplier of deposits.  
Deposit Means: Cash + Collaterals

**Cash:** Cash Margin is equivalent to Net Available ledger balance.  
(Cash margin will include unrealized sales proceeds only wherein stock are lying with us or in clients POA a/c.)

**Collaterals:** Collaterals on stocks for Exposure shall be considered as below:

- Only Approved and liquid Securities shall be considered for Collateral benefits as per respective baskets.
- Haircut: Hair cut on scrip's shall be based on the value at risk margin as defined by the exchange.
- Collaterals lying in client beneficiary account and Client Margin account shall be considered for this purpose. Further, Shares lying in Clients' Demat account -POA enabled in our favour, shall be considered as collateral on case to case basis.

Such deposit value is derived from t-1 day balances.

Client wise deposits and multiplier are required to be inserted in the front end system. On the above deposit, different limit multipliers are set base on the risk profile of the client. Collection of upfront margin in the cash segment is at the discretion of dealer. The above monitoring is done on a daily basis and at the end of trading day, value of deposits and multiplier are set for the next trading day.

If shares are lying with the client, sell limit may remain open to the extend of selling such securities so that client may be able to clear debit balances, if any.

Exposure shall be provided to clients @ 5 to 7 times on the basis of available deposit and client risk profile. Such Exposure Value shall be derived from Value at Risk (VAR) Margin and/or pre-defined margins by member.

Further In cash segment collection of Margin in cash segment for non institutional clients' is at the discretion of dealer as they are the best persons to judge the financial positions and trading activity of the clients.

**BRANCH /Sub Broker/AP Limit:** There shall be client Level and Branch/AP/SB Level Limit Settings, such setting shall be done considering Overall Branch /AP/SB Available Deposit and Branch Debits. Further, the same shall be set to the tune of 5 to 7 times of available funds.

The above limits shall be revised/ reduced considering Market Movement, Major Events, Scrip Movements/News, etc.

## **6. UN CLEAR CHEQUES AND CREDIT FOR SALE**

Intraday Credit for Sale shall be given to the tune of 80% - 90% of the Sales Proceed after adjusting debit balance and M2M/Booked losses, if any. Provided such scrips are lying with us or Client POA Account. No Adhoc margin shall be provided.

In order to provide exposure based on un-cleared cheques, Prior Approval of Directors and Risk Head is required.

## **7. LIQUIDATION/SQUARE OFF:**

All outstanding intraday position shall be squared off daily at 3.10pm at Market rate. All pending intraday order in Cash Segment shall be cancelled prior to Intraday Square off execution.

For Intra Day Trades, Warning shall be issued to clients when 60% of available margin is eroded. Further, In case Margin Eroded Exceeds 80%, client is informed to make RTGS of amount equal to margin eroded to carry forward his position, and if he fails to do, Trades shall be squared off by member.

## **Buy Today and Sell Tomorrow:**

Client shall be using this product only in specified scrips and at his own risk. Auction, other



charges and losses due to use of this product shall be borne by client.

#### **8. CLIENT DEFAULT & OUTSTANDING**

Contract slip/bills must be signed properly by the clients/authorized representatives. Proper authorization letter should be taken in case client sends somebody else for collection. Contract Notes are to be sent within 24 hours of execution of trades.

In case of default, if client is not able to pay his/her/its dues immediately adopt following procedure:-

- Try to take post dated cheque/s for amount due;
- Get the ledger and contract notes signed by the client;
- Obtain letter from the client covering the schedule of future payments;
- Preserve
  - Signed contract notes / bills ;
  - Proof of sending of bills/contracts by courier etc.; and
  - Proof of delivery of bills/contracts by courier etc.
  - Arrangement for recording of telephone conversations with defaulting client should be made covering Amount/s, Due Date/s, Date of recording Exchange/s and major scrips.

If hopes of recovery by follow up have faded, inform the designated department immediately but not later than 15 days in case of cheque bouncing and within 4 months in other cases. Also send original above mentioned documents to designated department. For small amounts i.e. below 50,000/- offer the client to settle the payment for lesser amount and close the business with him since it is not economical to initiate such cases.

Major defaults older than 6 months may also be intimated to the designated department for civil recovery.

When default has already occurred, do not pass JV for transferring funds. Obtain letters for all the inter exchange, inter segment, inter family/friend transfers and third party payments should be backed by proper authorizations signed by all the parties.

If Defaulted Client is of Branch/SB/AP, then their deposit/Brokerage shall be blocked to that extent and the same shall be released upon receipt of pending dues from clients.

Outstanding more than 90 days shall be closely monitored and recovery procedure shall be initiated for the same. Further, client shall not be provided Buy Limits and Only Sale Limits shall be made available if shares are lying with us. Account Department shall take all reasonable steps to clear such debits.

#### **9. INTERNAL SHORTAGE & CLOSE OUT**

Due to Internal shortages, company might not be in a position to deliver the shares purchased by the Client. In such circumstances, on T+1 day, company may buy the shares from the market and deliver the same to the client. The Client undertakes that it will not hold company responsible for any loss/damages arising out of the same.

Similarly, if the Client fails to deliver shares against its sale transactions, the appropriate amount will be debited to the Client's ledger equal to the buy value of such undelivered shares. Such Amount shall include internal auction or close out charges @ 1% of Auction /Close out rate. The Client undertakes that he will not hold company responsible for any loss/damage arising out of the same.

In case where such buying is not possible from the market due to reasons beyond control viz circuit breaking, etc., exchange guideline for internal shortage and close out shall be

followed.

Internal auction or Close out shall be done on T + 2 day.

Further, in case of client unable to deliver shares, his account shall be debited on T+2 Day with auction rate + 30% Margin on Auction Rate, to cover future losses if any due to auction of shares. Further, the same shall be released on T + 3 Day when actual bill is posted.

#### **10. RISK COVERAGE**

The Company should have adequate insurance cover for different types of exposures, including but not limited to fidelity insurance, and replacement of equipment and other business and data processing devices.

To reduce the systematic risk, Stock Broker Indemnity Policy of Rs. 5 Lacs Which Covers losses on account of trading as well as back office losses shall be obtained.

The company's risk policies and measurements and reporting methodologies are subject to regular review on annual basis or when there are significant changes to the products, segments, services, or relevant legislation, rules or regulations that might impact the company's risk exposure.