

INTERNAL CONTROL POLICY

❖ Preface:

This document shall be deemed to be as official guidelines, policies and procedures to be followed by **RAVECHI SECURITIES** while carrying out its business activities as a Member of **The NATIONAL STOCK EXCHANGE LTD.**

The objective of this document is to effectively manage the various risk involved in the business operations which may include default by clients, technological failures, misuse of trading system for market manipulations apart from protecting the interests of investors and ensuring the effective and timely compliance with various applicable Acts, rules, regulations, bye-laws, circulars and guidelines.

❖ Manner of usage:

This document shall be used as guidelines and reference by the key personnel in charge of the activities namely client identification and introduction, surveillance, record keeping and the personnel in charge of executing and authorizing the day to day transactions .

❖ Client Registration:

This is first stage of contact with the client. It is very important to take adequate details from the clients to maintain a record of the details of the clients.

1. Firm registers client by obtaining the Client Registration Form which is foremost requirement of exchange. In this form the basic details of the clients are obtained i.e.
 - a. Name of client : Which is used to identify the client.
 - b. Residential Address is taken with the addresses proof which are the document specified by exchange i.e. Ration Card, Pass Port, Voters ID or Driving License.
 - c. Also taking photo identify proof of Passport, Voter Ids, Driving License Copy.
 - d. Photograph of client in case of Individual.
 - e. For Corporate client Board Resolution, Memorandum of association & article of association of company, Share holding pattern, Details of Authorized Persons and Directors.
 - f. Pan card of all Clients.

All these document form part of KYC Norms which is will be taken from all the clients

- g.** Bank Details of the client along with the proof of the same i.e. Xerox of the bank pass book or canceled Cheque with sign the bank so that company can keep track of the third party payment i.e. amount paid through other persons account.
- h.** DP accounts details which are to giving & taking delivery of securities. Proof of the DP Account holder name will be taken. This is also for not third party delivery of the security i.e. security of client given to other persons or taking delivery of other persons.

❖ ***Client Broker Agreement:***

Client broker agreement is executed at the time of client registration. It is as per the format prescribed by the exchange. This will cover all the responsibilities, Rights & Liabilities of client & member.

❖ ***Risk Disclosure Document:***

Trading in securities market involves risks of various nature. Clients need to be educated and informed about the risks involved and the company as a policy will issue the RDD to all its clients and obtain a signature on the copy.

❖ ***Receiving, validating & entering the orders of clients in the trading platform.***

Normally, the new clients shall be assigned and introduced to a specific terminal operator and the operator shall be briefed about client's requirements for trading, investments and his risk taking abilities. Accordingly the terminal operator shall, under instruction from the concerned senior official, allow the client to place the orders during the live market through written, oral or telephonic instructions.

❖ ***Bank 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.

❖ **Banking Operations and Payment of Dividend etc.**

All the bank account shall be reconciled on a regular basis by downloading the bank statements in electronic form from the websites of respective banks. The ECS credit of dividends shall be passed on immediately at the time of bank reconciliation through journal entry in the account of relevant clients. One competent employee dedicated for the banking operations shall remain present in or around the clearing bank and ensure the availability of sufficient funds in all the clearing and clients accounts. The person in charge of banking operations shall monitor the returned cheque counter at the bank at every clearing schedule and intimate the office immediately about the instances of return of deposited Cheques for the necessary follow-up actions.. The instances of return of issued Cheques, if any shall be taken very seriously by the senior management and will investigate the reasons and take the required steps to avoid the recurrence of such instances in future.

❖ **Receipt From & Payments To The Clients:**

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. The client shall be asked to make the full payment as per the daily debit obligation on T+1 basis. The pay-out of funds shall be made on T+2 basis after confirming the successful pay-in of securities by the client. The exchange/segment wise segregated ledger account shall be maintained with an option to view the all exchange/segment merged position. Under written authorization from the client, the pay-out of funds can be retained for margins and/or future pay-in obligation and for collection and release of funds the account shall be maintained on a running account basis with all exchange/segment net balance criteria. The inter exchange/segment Journal Entry shall be passed on once in a week or when required.

❖ **Collection and maintenance of Margins.**

The requirement of collection and maintenance of margins in Cash/Capital Market segment is waived in general. In case of Capital Market segment the margin will normally not be levied under normal circumstances but the firm may collect the Margins depending on the Market Scenario and Client Profile. In case of F&O the firm will collect the SPAN margin from the clients and if need be the company may collect additional margins for the safety depending on the Market Scenario and Client Profile. However, after taking into account the conduct of the account, size and frequencies of trades, category of scripts and financial standing of the client,

the proprietor may decide to collect the margins in any form on a case to case basis. In case of the clients having relatively large volume and regular trading activities, the payout of funds and securities shall be retained towards the upfront and daily margins under the written authorization from the clients.

❖ **Collection and delivery of Securities to the clients.**

Collection of deliveries of securities from clients shall normally be called from the clients on T+1 basis. In case of delivery pay-in obligations of large quantity/value and/or illiquid scrip shall be called for prior to the execution of sell order or as early as possible after the execution of sell order and shall be tendered to the clearing house under early pay-in mechanism. Securities pay-in 'Over due Obligation' statement shall be generated one day as well as one hour prior to the pay-in schedule and a reminder shall be given to the respective clients. Deliveries of securities to the clients shall be effected within 24 hours from the pay-out and as far as possible the deliveries shall be given to the clients directly from the clearing house through upload of pay-out break-up files. In case of the clients who have given written authorization for retention of securities towards margin and/or future pay-in obligations, the pay-out securities of such clients shall be moved and retained in the separate BO account designated as 'Client Margin BO Account'.

❖ **Statement of Accounts:**

The statement of accounts 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.

❖ **Exposure to The Clients:**

The company will allow exposure to the clients keeping in mind the payment capacity of the client. As all the clients are known to the dealers the dealers will decide whether to allow the exposure and if allowed then to what extent.

❖ **Issuance of Contract Notes**

As a Trading Member of NSE we are required to issue Contract Note/s to all our constituents for all trades executed by them in the format as may be prescribed by the Exchanges/SEBI from time to time with all relevant details as required therein to be filed in, and issued in such manner and within such time as specified by the Exchange. It is to be

ensured that the Contract Notes are issued within 24 hours of the execution of the contract. This Contract Note is issue to the clients through the ECN on their respective E-mail ID as consent received from the same. In case of clients who does not opt for ECN facility than the Contract Note is to be either handed over or posted to their respective address. A contract note shall be signed by any one of the firm's Authorized signatory. Names of these authorized signatories will be printed on the Contract Notes. Contract note shall be time stamped with the time of receipt of order and the time of execution of order. The contract notes shall be numbered with unique running serial number commencing from one which shall be reset only at the beginning of every financial year (viz April to March). We are having Trading Codes in Contract Notes - which consist of Individual Client Code as per UCI. By using software Dealing Office address would be printed on the Contract Notes. In case of any problem rubber stamp is to be used to have Dealing Office address on Contact Notes. Contract Notes will indicate total brokerage charged to the Client. If authorized by the Client contract notes may be issued by us in electronic form, in such format as may be prescribed by the Exchanges from time to time, duly authenticated by means of a digital signature/s as specified in the Information Technology Act, 2000 and the Rules made there under. While issuing Contract Note ECN log for the same is maintain along with the delivery report. In case of contract note send physically than duplicate copy of the same is maintained along with POD.

❖ ***Setting of the limit as per the terminal and 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).

❖ ***Transfer of Trades:***

If there is mistake in inputting the client code while doing the sauda, we make the necessary changes in client code within the time allowed by the exchange only after taking the permission of the Designated Director.

❖ ***Investor Redressal Mechanism:***

To resolve the complaints/grievances of our clients, we have deputed compliance officer for the same, who is obliged to resolve the same within 24 hours, failing which, the client can approach the Proprietor of the Firm for further action.

❖ **Operations & Compliance Requirements.**

The day to day operations are being looked after by the Proprietor Mr.Mahendra gala. The on-line surveillance desk is to be monitored by other employee of the department where real time client wise / scrip wise position, M to M, Margin requirements, available margin and exposure limits will all exchange segment are monitored. Various types of limits on trading terminals are being set up and updated dynamically during the live market. As off line risk management reports are generated which enables to have a quick look at a glance for the status of any individual account or a group of account across all exchange/segment. The various compliance requirements of all the exchange/segments shall be ensured by the compliance officers under the supervision of the Proprietor Mr.Mahendra gala. Due care is taken to see that all compliances and operation procedures are as per those specified by the exchange and are updated accordingly.

❖ **Closure of Client accounts / Dormant account:**

a. Deregistering a Client

The Stock Broker may, at its absolute discretion, decide to deregister a particular client. The illustrative circumstances, under which The Stock Broker may deregister client, are given below:

- SEBI or any other regulatory body has passed an order against such client, prohibiting or suspending such client from participating in the securities market or has levied any penalty on the client.
- If a client is charged for or convicted for violation of any law, rule, regulation, guideline by any Exchange, Depository, Self Regulated Organization, Regulator, Judicial body or Quasi Judicial body.
- Such client is suspected of indulging in illegal or criminal activities including fraud or money laundering.
- Such client's name appears in the UN list of prohibiting entities or SEBI debarred list.
- Such client's account has been lying dormant for a long time or client is not traceable.
- Such client has declared insolvent or any legal proceedings to declare him/her as such have been intended.
- Such client has been irregular in fulfilling obligations towards margin or settlement dues.
- Such client has a tainted reputation and any business relationship with such clients is likely to tarnish the reputation of the Stock Broker or may act as detriment to the Stock Broker prospects.
- If the actions of the client are such that create grounds for suspicion or are prima facie illegal or improper or may appear to disturb the normal functioning of the market or appear to be manipulative or deceptive in nature, either alone or in

conjunction with others.

- On the death/lunacy or other disability of the Client;
- If there is a reasonable apprehension that the Client is unable to pay its debts or the Client has admitted its inability to pay its debts to the stock broker or any other person.
- If the Client is in breach of any term, condition or covenant of the broker client agreement.
- If the Client has made any material misrepresentation of facts, including (without limitation) in relation to Security.

b. Treatment of inactive accounts:

Client account will be considered as inactive if the client does not trade for a period of six month. The working shall be done at the beginning of every month and those clients who have not executed any transaction in the preceding 6 months shall be treated as inactive. The Client has to fill form and submitted documents for reactivation of his/her/its account.

❖ **Internet Trading:**

Prior permission in regards of IBT facility is duly taken from the Exchange. In case any client wish to opt for the IBT facility than ITORS agreement is dully executed before providing such facility to clients.

❖ **Policy on Circulation of Unauthenticated News:**

Prohibition on circulation of unauthenticated News:

To protect Investors to Stop Unauthenticated News Circulation by the Firm's Employees/ Temporary Staff or other Dealing person and by Firm's Infrastructure.

As per code of conduct for Stock Broker in SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 and SEBI Circular Cir/ISD/1/2011 dated March 23, 2011, all SEBI registered market intermediaries are required to have proper internal code of conduct to govern the conduct of its Employees. In view of same, RAVECHI SECURITIES implements code of conduct for communicating through various modes of communication. Firm's Employees/ Temporary Staff /Voluntary Workers are prohibited from:

1. Circulation of unauthenticated news related to various scrips in blogs/chat forums/e-mail etc.

2. Encouraging or circulating rumors or unverified information obtained from client, industry, any trade or any other sources without verification.
3. Either forwarding any market related news received in their official mail/personal mail / blog or in any other manner except after the same has been seen and approved by the Proprietor.

Our Firm's Employees/ Temporary Staff /Voluntary Workers are restricted from circulation of rumors or unverified information obtained from client, industry, any trade or other sources without verification.

The Firm's Employees/ Temporary Staff /Voluntary Workers will have to seek prior approval from Proprietor of RAVECHI SECURITIES before forwarding any market related news received by them either in their official mail/personal mail / blog or in any other manner and all the reporting with regard to violation of the same shall be done to the Proprietor.

If an employee fails to do so, he/she shall be deemed to have violated the various provisions contained in SEBI Act/Rules/Regulations etc. and shall be liable for disciplinary action. Access to Blogs / chat forums/messenger sites etc. has been restricted by RAVECHI SECURITIES and is not allowed.

This code can be modified/amended/alterd as required from time to time in compliance of the relevant Provisions/ regulations in this regard.

❖ **Continuity planning / alternate plan in case of disasters etc.**

- All the Information Technology infrastructure requirements shall be in charge of the Proprietor.
- There shall be sufficient and competent man power to manage the trading system failures during the live market.
- There shall be the back-up communication link in addition to the regular link for all the exchange segment and it shall be tested periodically
- There shall be sufficient battery back-up through on-line UPS.
- Connectivity of NOW Terminal is on VSAT, if VSAT connectivity not proper or disconnected than we shift our NOW Terminal on Internet Connection.
- Further the databases are backed up daily and weekly & stored in Hard disk.
- Routines / Specific back-up for the records and registers are kept and maintained by designated department and is retrieved at regular intervals for cross-checking its authenticity, etc.