



### **Internal Control Mechanism over Branch / Authorised Person of Shreeyam Securities Limited (SSL)**

Pursuant to the provision of SEBI circular nos. MIRSD/ DR-1/ Cir- 16 /09 dated November 06, 2009, SEBI/Cir/MIRSD/AP/8/2010 dated July 23, 2010 on Market Access through Authorised Persons and the Business Rules of the Exchange.

SSL shall inspect Branches and AP offices and examine all applicable regulatory requirements have been complied with including following indicative parameters:

1. Whether all clients are registered directly with SSL.
2. Adequate systems, including voice recording (wherever applicable) are put in place for recording of order placement from clients. Such information to be incorporated in the SSL application form and agreement.
3. SSL shall take have necessary checks to see that no movement of Funds and securities between the client and Branch/AP official for settlement of trades on the Exchange. If required, Demat statement and bank accounts of the branch/AP official may be examined to verify.
4. No cash dealings at the AP/Branch office.
5. Documents like contract note, statement of funds, daily margin statement shall not be generated and issued by the AP/Branch. However, the AP/Branch may provide administrative assistance in procurement of documents after maintaining proper records of the same.
6. All terminals observed at the inspection location is as per the information reported to the Exchange.
7. Trading terminals situated at the place of inspection to be operated by approved and certified users.
8. Notice board of SSL containing the all details/information prescribed from time totime, is displayed at the registered location.
9. SEBI registration certificates of the SSL and registration letter issued by the Exchanges

Registered Address:-Unit No. 207, Second Floor, NDM1, Plot no. B 2 3 4, Wazirpur District Centre, Netaji Subhash Place, Pitampura Delhi - 110034



displayed at the inspection location.

10. As required by SEBI circular CIR/MIRSD/3/2014 dated August 28, 2014, information about the grievance Redressal mechanism available to investors is prominently displayed at the location.
11. The Authorised Person/Branch is not involved in any fund based activities / collecting deposits from investors / dabba trading / chit funds or any other such schemes.
12. The Branch/AP shall not deal with any other trading member/AP on behalf of its clients / self on the same Stock Exchange.
13. The Branch/AP shall not deal with any unregistered intermediary on behalf of its clients / self.
14. The AP/Branch shall not involve in accepting deposits from the public and giving assured returns.
15. Advertisements soliciting business shall not be issued by the Authorised Person/Branch in newspapers / pamphlets / journals / magazines etc. without appropriate approvals.
16. Complaints received at the AP/Branch location are handled and records are maintained as per the regulatory requirement. A complaint register to be maintained at the branch / AP Office.
17. Trading activities/Turnover at the AP/Branch location is monitored and necessary actions/investigations are undertaken in case of inactive AP/Branch location. Steps to be taken to close the inactive branch / AP and update the same.
18. SSL shall, wherever required, de-activate all trading terminals extended to AP/Branch location which are inactive for more than 6 months and update Exchange records. Appropriate due diligence to be undertaken in case of re-activation of such terminals.
19. The Branch/AP has the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge the activities on behalf of the SSL.
20. No Branch/AP shall be allowed to operate any other member terminal other than that of SSL.
21. The Branch/AP records/data are properly maintained with confidentiality in a secure manner including sufficient backup.



22. In case of change/shifting of location of AP/Branch, the following is ensured:-

- a) All clients mapped to the AP/Branch have been notified at least thirty days before the change.
- b) Notice Board and applicable SEBI registration certificates should be immediately be put up at the new location.
- c) The new location shall be duly reported to the Exchange and the old location should be deactivated. New terminal details shall also be uploaded to the Exchange.



23. The Report of Inspection shall, in addition to the above clearly comment on the following:-

- a) The functioning of the AP/Branch. The various activities undertaken by the AP/Branch.
- b) Number of Employees of the AP/Branch.
- c) Number of clients mapped to the AP/Branch.
- d) Process of Client registration and on boarding.
- e) Order placing mechanism at AP /Branch level.
- f) Role of Branches/APs with respect to pay-in and pay-out of funds/securities with clients.

SSL shall retain the report of the inspection/visit conducted for a period of not less than five years. The inspection reports shall be made available for verification by SEBI/Exchanges as and when required including any related information/details that may be sought.

Further,

i. SSL shall inspect every year its active Authorized Persons/ Branches and also ensure that each active AP/ Branch is inspected at least once in every three years. For this purpose, an active AP/ Branch would mean one who have executed even a single transaction during financial year and is engaged in servicing the clients.

ii. APs/Branches meeting any of the below criteria shall be inspected annually, irrespective of when the last inspection was carried out:

- a) APs/Branches with more than 500 registered clients across Exchanges.
- b) APs with more than 20 trading terminals and Branches with more than 50 trading terminals, across all segments/Exchanges.

Registered Address:-Unit No. 207, Second Floor, NDM1, Plot no. B 2 3 4, Wazirpur District Centre, Netaji Subhash Place, Pitampura Delhi - 110034



c) APs/Branches against which more than 3 complaints have been received during the previous year.

In case of any inputs/alerts about any suspicious transactions/dealing/assured returns etc. by an AP or a Branch, SSL shall carry out an immediate inspection, irrespective of when the last inspection was carried out and initiate appropriate action.

It is advised that SSL put in place adequate mechanisms to review the inspection reports and take suitable actions to ensure non-recurrence of any irregularities observed. Members shall on an annual basis place an MIS before their Board on the number of inspections undertaken, irregularities observed and action taken.