



## INTERNAL CONTROL POLICY

**In superseded to earlier policy and as per day to day Exchange and SEBI guidelines. The company is revising Internal Control Policy as approved by its Board of Directors.**

### **1. Know Your Client (KYC) Documentation:**

Complete details of client information/status, bank and depository account details, financial details of the client, investment/trading experience, references, financial documents and signatures of clients are taken before opening Trading and Demat Account of Client.

We shall adopt the rules and processes of PMLA & KRA before we could permit the client to trade through the platform provided by us.

**Bank Details** of the client shall be taken along with the proof of the same i.e. Xerox of the bank pass book / statement, Cancel Cheque, so that company can keep track of the third party payment i.e. amount paid through other persons account.

**DP accounts details** which are to giving & taking delivery of securities. Proof of the DP Account holder name shall be taken. This is also for not third party delivery of these security i.e. security of client given to other persons or taking delivery of other persons.

IN person verification (IPV) is done by Employee of the company or registered Authorized Person for each & every client.

In case of non-resident clients, employees at the stock broker's local office, overseas can do in-person' verification. Further, considering the infeasibility of carrying out 'In-person' verification of the non-resident clients by the stock broker's staff, attestation of KYC documents by Notary Public, Court, Magistrate, Judge, Local Banker, Indian Embassy / Consulate General in the country where the client resides may be permitted.

KYC team shall check following before admitting any person as client:

- a) Client PAN should be checked in SEBI debar list, Politically Exposed Person list, ANMI watch list, arbitration cases list. Further UNSC (United Nations Security Council) watch list is also checked by the team.
- b) A screening report to be generated for all new clients and enclosed along with the KYC form.

## **2. CLIENT DUE DILIGENCE:**

Before a client is registered with us, we assess his financial capacity, we maintain documents such as PAN card copy, verify the same on the website of the Income- Tax, retain the latest IT returns acknowledgement copy/balance sheet (if any) or any such valid document, which expresses the financial stability and soundness of the clients.

Client broker Rights and Obligations will cover all the responsibilities, Rights & Liabilities of client & member and copy of the same is given to the client and also kept on the website. The client's records shall always be maintained in observance and supervision of the office authorities. The records are kept confidential and inaccessible to outsiders. The client details shall be entered in the back-office software by our employee. Further, a senior person acts like a checker to verify that the details have been properly entered in the back-office software to avoid any issue in the future.

The clients are requested to periodically provide their updated financial details/information that could have changed or requires updation. Any change in address, email id, contact details etc. is entertained on a proper written request.

The UCC is uploaded by the back office and the compliance officer or manager of the Client Registration carried out this activity before any trades are inputted on behalf of the client. The documents are stored at the office and filled properly for easy retrieval whenever required.

## **3. 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 copy of the same is given to the client and also kept on the website.

## **4. ORDER ACCEPTANCE AND EXECUTION:**

The orders from the client's shall be promptly executed by the dealers after due verifications and the oral confirmation of the placement of the orders shall be immediately provided to the clients. Orders are generally received through telephone, fax or personally by clients in the office premises only. Receipts of orders are maintained in log system of NEAT/BOLT/ODIN terminals. Order placed by clients through us are recorded through recorded line by HO and selected branches and we are maintaining logs for the same.

Upon execution of a valid order, the dealers confirm the trades with the clients so as to avoid any future dispute. The company has restricted the access to the dealing office only to the authorised persons, who execute trade on behalf of the clients.

After market hours, the dealer/back office team informs the client about the orders placed and executed on behalf of the clients, and also towards their obligation of pay-in of funds and securities for that particular day.

## **5. CLIENT CODE MODIFICATION:**

Client Code Modification means modification / change of the client codes after execution of trades. Stock Exchanges provide a facility to modify any client code after the trade has been executed to rectify any error or wrong data entry done by the dealers at the time of punching orders. However, such Client Code modification is subject to certain guidelines as to the time limit within which the client code modification is to be carried out, terminal / system on which such modifications can be done etc. The facility is mainly to provide a system for modification of client codes in case of genuine errors in punching / placing the orders. It is to be used as an exception and not a routine. To prevent misuse of the facility Stock Exchanges levy penalty / fine for all non-institutional client code modifications.

Client Code Modifications carried out / to be carried out in any of the client accounts controlled by HO, subject to the guidelines issued by the SEBI / Stock Exchanges from time to time, in any segment of any exchange for which Shreeyam Securities Limited is a member broker.

"Error Trades" means the trades which will be modified / to be modified / allowed, to be modified subject to guidelines of the SEBI / Stock Exchanges and this policy. The facility for Client Code Modification can be used only in case of Error Trade. The Client Code Modification shall be carried out only on the designated system and / or as per the process as may be prescribed by SEBI / Stock Exchange. Any Client Code Modification shall, subject to compliance of this policy, be carried out by RMS at HO of all the Error Trades happened in Capital Market Segment of NSE, BSE and MCX-SX.

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

## **6. 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.

## **7. RECEIPT FROM & PAYMENTS TO THE CLIENTS:**

The cheque 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. All cheque bouncing to be viewed seriously and client to be warned.

Payments for the payouts will only be made to the clients and not to any third party.

## **8. DEMAT ACCOUNTS & EXECUTION OF POA:**

The company will maintain client's securities in a designated account called the Beneficiary Accounts. The securities of the company will be kept in a separate demat account termed as Own DP Account. The clients and own securities will not be mixed with each other. The Company accepts a limited purpose POA from the clients who intend to give the same in favour of the company for the purpose of pay-in, pay-out and margin purpose of the securities. The POA is only accepted from the client after proper execution and registration into the system. Further, it is only operated for the above purpose and is operated only by the authorized official of the company.

## **9. Collection of securities:**

The company shall ensure that clients are delivering the shares from their own account and all the deliveries to/from the clients correspond with the details provided by the client with their registration. The statement should be checked with the securities obligation of the clients. Any third party delivery from the clients should not be delivered to Clearing house. No credit to clients should be given even though shares received from third party has been delivered to clearing house due to any technical reasons beyond management's control. If client provides sufficient written proof of ownership of such account/share, and/or a no claim letter received from third party than after updating client database, client may be given effect of the same. The reports provided by Exchange should be used to check whether there is any short pay-in/ out of securities to/from Clearing house.

## **10. Delivery of Securities:**

The instruction slip for shares delivery from the Pool account to client or delivery from the Clearing house should be signed by Authorised Person of the Company. Payout of shares shall be given to clients only when they have clear credit balance in their ledger account or in case of specific approval for the same. Shares of clients having debit balance will be kept with the company as hold back margin unless otherwise approved. The hold back margin account will be reviewed once in a week

i.e. on Saturday and shares will be credited to the accounts of the client if they have clear balance during the time of periodic review. In case shares are sold which are lying in our hold back margin a Demat charges of Rs10 per script will be debited to

the client's ledger account. Similarly in case of Inter-settlement Demat charges of Rs10/- per scrip would be debited.

### **11. RECEIPT AND DELIVERY OF SHARES:**

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. Third party delivery will only be accepted under remote cases after taking due authorization from both the person i.e Delivery sender and receiver. Credit/transfer of the Dividend and corporate actions are made within a reasonable time for this purpose in the account of the clients.

Shares Delivery for the payouts will only be made to the clients and not to any third party. We transfer the payout of shares to the client's demat accounts only, however if client has not paid the due amount then we hold the securities in beneficiary account and deliver the same when client makes the payment and requested for the transfer of the shares in his Demat Account.

### **12. SHORTAGES:**

In case of Exchange Shortages the settlement mechanism of the Exchanges shall be strictly adhered to. In case of internal shortages in any scrip in the same settlement where both buyer & seller are clients of Shreeyam and seller does not deliver the shares for his payin. The short delivering client is provisionally debited by an amount equivalent to 125% of the rate at which the stock was sold by the client. The securities delivered short are purchased from the market on T+2 day which is the auction day of the exchange and the purchase consideration is debited to the short delivering client along the reversal entry of provisional amount debited earlier.

If securities cannot be purchased from market due to any force majeure condition then all shortages not bought-in are deemed to be closed out and short delivering client is debited as per exchange procedure.

### **13. CONTRACT NOTES:**

Upon execution of trades, contracts are generated centrally at our corporate office only. We have a fully secured mechanism for electronic contract notes. We use email/Software for sending Electronic Contract Notes (ECNs). We have adopted all the rules and regulations notified by the exchange and SEBI. ECNs are sent only to clients, who have consented to receive them. In case of a bounced mail notified by our software, we do send them a physical contract note, and get their acknowledgement receipt. We maintain a complete log report of ECN in the prescribed format given by the exchange. We also see to it that the ECN consent

letter is signed only by the client. All ECNs are sent digitally signed, encrypted, non-tamperable and in accordance with the provisions of IT Act, 2000. And that where the ECN is sent through email attachment, the attached file is secured with digital signature, encrypted and non-tamperable.

Acknowledgements of emails are being retained in the soft form. We have provided an access to their ECNs through our website-<http://shreeyamsecurities.com/> wherein the clients can access them by using proper user ids and passwords. Similar care has been taken while sending daily margin statement. Contract notes are sent to the client at the end of the day, or within 24 hours in case of any system problem.

#### **14. 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. Quarterly statements of accounts are sent to the clients in electronic/physical formats and duly acknowledged copies are maintained with us. In case of running account authorization, we do send them the account statement, after settlement, as per their consent on a monthly or a quarterly basis, along with an explanation on retaining the funds/securities. Acknowledgements of emails sent are being retained in the soft form.

#### **15. RECEIPTS OF FUND & MARGIN:**

In case of Capital Market segment the margin will normally not be levied under normal circumstances but the company may collect the Margins depending on the Market Scenario and Client Profile.

In case of F&O Initial margin is collected on an upfront basis from all the clients (in the form of cheque or shares or FDR), as calculated by clearing corporation on client wise portfolio, based on SPAN and Additional Exposure Margin is debited and collected from client account and reporting to the Exchange on daily basis. We are intimating our client about margin on emails as per the guidelines of the Exchange and keeping the proof for the same.

If need the company may collect additional margins for the safety depending on the Market Scenario and Client Profile. Monitoring of client's debit balances/ obligations, and appropriate collection therein is done on a daily basis. The Clients having debit balances shall be promptly followed up for collection of the outstanding balances.

The Client shall also be furnished with a copy of the daily margin status which shall give the details of the Funds and pledged Shares of the Client with the company, the applicable margins on the clients' positions and the net amount receivable or payable from the client on a particular day.

## **16. PRE-FUNDED INSTRUMENTS AND ELECTRONIC FUND TRANSFER:**

If the aggregate value of Pre-funded instruments is Rs. 50,000/- (Rupees Fifty Thousand Only) or more, per day per client, we may accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank.

The mode of certification may include the following:

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

We also maintain an audit trail of the funds received through electronic fund transfer to ensure that the funds are received from their clients only.

## **17. TRADING TERMINALS (ALLOTMENT AND SURRENDER):**

The trading terminals shall be providing to the dealers who are appointed by the Company or its registered Authorised Persons. The Exchange requirements for the allotment of terminals shall be strictly adhered to while allotment of terminals. The users shall be adequately qualified and comply with the Exchange requirements and shall be not allow anyone else to use the terminal allotted to him.

The terminal shall not be shifted from one location to another without the express permission of the Head Office.

The Users whose certificates have expired shall either give exam to extend their certificate validity or attend CPE training or surrender the User ID.

In case of any closure of Branch or Authorised Person/Sub-broker, all the user IDs allotted to that location shall be surrendered.

## **18. OPENING AND CLOSING OF BRANCHES AND SUB-BROKERS/AUTHORIZED PERSONS:**

The Company has branches based on the potential of business in that area by appointing a capable branch manager. We have a centralized system for the backoffice and accounting procedures. The branches are under direct control of the management.

Sub-brokers / AP will be appointed after taking into account the level of knowledge,



experience and capability of the person to service the clients.

In case any branch or sub-broker/authorised person is to be discontinued then the clients shall be given 30 days notice and will be provided with alternate location, wherefrom they will be allowed to execute the transactions.

### **19. CLOSING OF ACCOUNTS / DORMANT ACCOUNT:**

The Clients account shall be closed upon specific request from the client. The closure shall be effective only after a period of one month has elapsed from the date of application / intimation or the date of settlement of account whichever is later. Settlement of account shall mean that there is no outstanding balance of shares or funds in the books of the client and the company and the same is confirmed by the client. The date of confirmation shall be the effective date of settlement.

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:

Such client's name appears in the UN list of prohibiting entities or SEBI debarred list. 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. 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.

Client account will be considered as inactive if the client does not transact / trade for a period of six months. Proper verification shall be done before trade or any Demat transaction for the Clients who has not traded/ not transacted in Demat Accounts since last 6 months.

### **20. INVESTOR GRIEVANCES:**

We make all the necessary information available to the investors. The investors have complete liberty to convey their grievances, if any to the company, and we are always ready to solve the same at the earliest. We have maintained a register of all the complaints for the same, and the compliance officer of the company monitors the complaints and redressals on a regular basis.

As per the norms of SEBI, we have a separate team for the Redressal of the investor grievances. The clients can email us all their complaints at our email id: The said email id [care@shreeyamsecurities.com](mailto:care@shreeyamsecurities.com) is mentioned in the Client Registration Form and also on our website in order to inform the same to the client.

The compliance officer monitors the complaint resolution and steps in case of any delay or stalemate in resolution of complaint. The management is also updated & consulted of cases whenever there is a need. Further the list of cases is placed before the board once a quarter. The investor grievance report is submitted to one of the designated





director on a monthly basis.

The compliance department is adequately staffed with executives reporting to the compliances officer. In addition we have customer care executives who resolve minor complaints by coordinating with the client and respective branch head.

## **21. BROKERAGE:**

We are charging brokerage to our clients for trading and delivery as per guidelines specified by SEBI and for Options, we are charging brokerage to clients either per lot or strike plus premium basis. For some of our premium clients as per their request and specifically approved by the management, we are providing advance brokerage schemes.

Brokerage Rate is mutually decided between the company and each client based on client's expected trading volume etc. The maximum brokerage charged is within the limit as prescribed by SEBI and the exchanges.

The applicable brokerage rate will be mentioned in the Tariff Sheet in Client registration form and any change in the brokerage rate in future shall be communicated to the client. The Company will charge Service Tax and other statutory charges as per regulatory guidelines.

## **22. NO Portfolio Management Services:**

We are currently not doing any types of PMS schemes for our clients and we regularly intimating our Dealers or Relationship Managers or Authorised Person on continuous basis about the same.

For Shreeyam Securities Limited  
(Formerly known as Escorts Securities Limited)