

## **Internal Control Policy**

The Company's Heads of the Department are responsible for smooth functioning of business. The structure of the organisation is as per the hierarchy mentioned in the Organisation Chart.

## **Risk management policy (RMS)**

- Default Intraday limit is 5 times of available margin. The exception approval hierarchy / limits are as below :

<b>Levels</b>	<b>Total Approval limit</b>
Dealer	25,000/-
RM	50,000/-
Sr. RM	1,00,000 /-
Branch Manager	2,00,000 /-
Cluster Manager	5,00,000 /-
TM	7,50,000 /-
Management	Above 25 lacs

- Default trading limit is Rs 0/- for all client, except online clients & net Dr clients.
- Eligible securities will be accepted as margin. It will be valued @ 70% on closing price. Stock list will change from time to time. The stock list is uploaded on the website every month.
- All the stocks except NSE illiquid item issued by the exchange from time to time are eligible stocks. These eligible stock will be valued at 75%. The updated stocks will be considered for margin.
- Unclear cheque will not be accepted as margin.
- All clients need to maintain 30%+ combine margin at end of the day. Except client who are trading in both Cash & F&O Segment. It will be calculated on 30% in cash market +(SPAN+ Exposure margin) in F&O segment. The same is done because required margin (%) is less in Index future and selected stocks future too. The option margin calculation (SPAN + Exposure Margin)/Initial premium methodology is also different.
- No limits allowed against receipt of third party cheque and stock.
- Terminal wise limit with regard to maximum permissible limit has been defined.
- Client level margins will be set automatically in the trading system. Following example will give more clarity -
  1. If client "ABC" has given 1lacs cheque, on getting the clearance from accounts dept, margin of 1 lacs shall be set and client will be able to take exposure upto 5 lacs.
  2. Second scenario - If client has ledger credit of 1 lacs + eligible stock worth of 5 lacs and + non eligible stock worth of 2 lacs, the margin available for trading would be 4.5 lacs (1 lacs ledger credit + 3.5 lacs eligible stock of 5lacs valued at 70% + 0 lacs - Non-eligible stock valued at 0%).
- TT/ S/TS (Trade to trade & other segment) trade to be done only from HO.
- Trading in B2 is restricted.
- Scrip limits to be reviewed at periodical intervals (30 – 45 days) by RMS team.
- Trading in Z group is not allowed.
- RMS to inform RM/ BM/ Cluster manager about client margin/ Exposure. RM /BM/ Cluster manager should communicate with the client directly. RMS will not communicate with the

client directly. RMS to take a final call on client exposure. The cut off margin % is 20%. It means that if client margin goes below 20%, then RMS will give alert calls to respective RM/BM/ Cluster manager.

- Client positions can be liquidated when margin falls below 10% without any further intimation. However, the respective relationship manager should be informed.
- Single order transaction limit (client / Dealer) is Rs 50 lacs (value) or 50000 shares whichever is lower. Any deviation has to be approved by Management .
- F&O margin are to be collected on the basis of Span + Exposure margin + any additional margin, if any.
- No trading in scripts (In F&O) which has reached 95% market wide limit. All these contracts are to be blocked.
- No transactions allowed in illiquid contracts in F&O. Far month contracts are to be locked from RMS.
- Span margin will be charged for option spread position.

### **Collection and maintenance of Margins.**

- a. The requirement of collection and maintenance of margins in Cash/Capital Market segment is waived in general. 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 directors/senior officials may decide to collect the margins in any form on a case to case basis.
- b. In case of the clients having relatively large volume and regular trading activities, at the option of the Client, the payout of funds and securities shall be retained towards the upfront and daily margins under the written authorization from the clients.

### **Code Modification:**

- Genuine punching errors in client codes while placing orders shall be allowed to be modified. Genuine punching errors in client code, if detected after the end of post closing sessions may be allowed to be modified subject to the verification of genuineness.
- Client code modification shall be carried out only from the terminals by and under the supervision of a senior official heading the Institutional trading desk. The reporting has to be done at HO for the same.
- While carrying out code modification, genuineness of the punching errors shall be verified against corroborative circumstantial evidences like similarities of codes, trades in immediately preceding codes, square off trades without holdings or position or any such other evidences shall have to be taken into account.
- Complete records of daily online trade modifications shall be maintained by the RMS department.
- Penalty is levied for Client code modification shall be debited to the Branches or not shall be decided by the Management.

### **Rms liquidation policy :**

1. Client intimation / notice by the branch, if margins fall below 20% in cash segment. Please note in case of F&O, it will be SPAN+ Exposure margin. Also note that if client is having exposure in index Future then effective margin (%) is much less. However, for client who is having exposure in cash & F&O segment, if margin falls below required margin level (which is 20% in cash +F&O (SPAN margin)), clients needs to be informed in case of such shortfall.

2. Client positions are liquidated when margin falls below 10% and post trade confirmations should be given.
3. Everyday auto stock selling on the basis of RMS shortfall.
4. The T+5 cutting is not part of Risk management policy.
5. Time based auto square off is at 3.15pm every day in online segment, when started.
6. Margin based auto square off are @ 80% erosion in margin in online segment, **when started.**

### **Saudafer risk management policy**

- Single stroke limits. Defined in the RMS policy.
- Reconfirmation of deals with clients on daily basis after market hours.
- Immediate square off on detection
- Contract acknowledgement/ day end confirmation/ compulsory digital contracts
- Co-ordination with back office for pay in shortages.

### **RMS Advise**

- Accuracy rather than Speed should be given priority for any dealer.
- One should use option as a hedging tool for client exposure.
- Always use voice logger for Client trade & as well as confirmation. Avoid use of Mobile phone in dealing room
- Give periodic confirmation about Ledger & stocks to the client.
- Try to keep Stop loss against intraday exposure.

### **Pay-in Pay-out of funds and securities to clients**

- a. The client shall be asked to make the full payment as per the daily debit obligation on T+1 basis.
- b. The pay-out of funds shall be made on T+2 basis after confirming the successful pay-in of securities by the client.
- c. The exchange/segment wise segregated ledger account shall be maintained with an option to view the all exchange/segment merged position.
- d. 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 when required.
- e. The pay-in of shares /funds from client comes only from their Demat Account and Bank Account declared in the KYC form. In case the shares are received for the Account other than designated Account then such shares are returned / rejected.
- f. Pay-out of funds is made to clients only after pay-in of securities from clients and after adjusting all types of Margins.
- g. Pay-out of Securities is made to clients only after pay-in of funds from clients.
- h. The company has received authority from clients to maintain shares on their behalf to avoid trouble of receiving / giving shares on daily basis. And in most of case we deliver the shares in clients demat a/c directly from exchange (Direct Pay out). Proper record for securities received / given to the clients is maintained.
- i. The company receives the deliveries of securities from the clients in the pool accounts / or Exchanges early pay-in account which intimated to the clients.

j. POA is also given by clients, but POA is only used for pay-in Purpose of Shares or delivery of securities company has activated auto payout facility in clients demat account.

k. Cash payment is not made to client / accepted from client.

l. Further some of the clients have given consent to the company to maintain running accounts on their behalf to avoid trouble of receiving / paying funds on daily basis.

m. We accept the cheque only from bank account of clients which is mapped in our system. Our Branches / Franchisees deposited the Cheques in our account at their local branch and make entry in the system. Payment to client is centralized through system and local Cheques. Cheque issue authority is not given to branches / franchisees.

n. The accounts department keeps proper co-ordination with settlement Department regarding Pay-in of shares by clients and then releases the Pay-out cheques to the client. Company releases payments of the clients either by hand delivery to the authorized persons intimated by the clients or by courier to the client's address. In some cases cheques are directly deposited into client's account.

o. Collection of deliveries of securities from clients shall normally be called from the clients on T+1 basis.

p. Deliveries of securities to the clients shall be effected within 24 hours from the pay-out.

### **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.

### **Treatment of inactive accounts:**

- Client account will be considered as inactive if the client does not trade for a period of twelve months. The working shall be done at the beginning of every month and those clients who have not executed any transaction in the preceding 12 months shall be treated as inactive. The Client has to make written request or E-mail from his designated E-mail id for reactivation of his/her/its account.
- The process for reactivation shall be afresh, all sets of documents shall be taken as a proof of identification and financial status.