

## K.M.Jain Stock Brokers Pvt Ltd

### INDEX OF POLICIES

S.No	Policy
1	Refusal of order for penny stocks
2	Policy for setting up of clients' exposure limit
3	Policy for applicable Brokerage rate
4	Imposition of penalty/delayed payment charges by either party, specifying the rate and the period not resulting in funding by the broker in contravention of the applicable laws
5	The right to sell clients' securities or close clients' positions, without giving notice to the client, on account of non-payment of client's dues (Limited to the extent of settlement/margin obligation)
6	Shortages in obligations arising out of internal netting of trades
7	Conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client
8	Temporarily suspending or closing client's account at the request of client
9	Policy for deregistering a client
10	Policy for treatment of inactive/dormant client
11	Policy for Client Code modifications
12	Policy for cash/bank contra account
13	Policy for Investor grievances
14	Policy for prevention of unauthentic news in circulation
15	Policy for illiquid stocks
16	Policy for insider trading
17	Surveillance policy for monitoring and reporting alerts approved by boards (Refer revised and New Surveillance Policy formulated on 19 <sup>th</sup> July 2021)
18	Policy for code of Business conduct and ethics
19	Policy for prefunded instruments/Electronic transfers
20	Policy for NISM VII certificates
21	Policy regarding conflict of interest
22	Policy on outsourcing of activities/services by intermediaries
23	Policy – Prevention of Business Disruption due to Technical Glitches
24	Policy for Referral Incentive Schemes
25	Policy - use of facsimile/scanned signature on contract notes and other documents
26	Policy on Handling of Good Till Cancelled Orders offered by Members to Clients
27	Framework for Trading Members to provide the facility of voluntary freezing/blocking the online access of the trading account to their clients

**K.M.Jain Stock Brokers Pvt Ltd**

Policies created by: Anand Jain

Policies reviewed by: Madhulika Jain

Policies reviewed on: 1st Jan 2025

Policies approved by: Board of Directors

Policies approved on: 1st Jan 2025

**POLICIES AND PROCEDURES FOR CLIENT DEALINGS – ALL EXCHANGES - MANDATORY  
( as required by SEBI circular MIRSD/ SE /Cir-19/2009 dated December 3, 2009**

**For guidelines reference # NSE Circular Ref. No: 39/2020 - E/CMTR/44481 Date : May 27, 2020**

**Policy 1. refusal of orders for penny stocks**

A penny stock can be typified as one which has one or more of the given below characteristics:

- Stock that trades at a relatively low price and /or market capitalization
- Highly speculative and risky because of lack of liquidity
- Large bid-ask spreads
- Showing sporadic volume pattern in tandem with bulk trades
- Association with errant promoters and/or classified under Z or T group by exchanges

Stocks that are on the illiquid stocks list issued by the Bourses periodically are considered as penny stocks. Our RMS reserves the “right to refusal” to trade in such stocks and consequently all losses pertaining to it would be borne by the client. The dealers and clients should refer updated GSM and ASM scrip’s list also before execution of any trade. All margins and conditions associated to GSM and ASM list of shares must be mandatorily adhered to by the clients.

**Policy 2. setting up client’s exposure limit**

Our RMS refers the following points in conjunction with the PMLA guidelines before giving exposure to our clients, which in turn can vary from time to time in view of the then prevailing circumstances:

- Client’s net worth
- Collateral or deposits taken from the client. Value of exposure will be as per prevailing Sebi/Exchange guidelines. Hence before any trade execution, upfront margin in the form of collateral after VAR haircut, NEFT/RTGS/cheques deposited, and existing ledger credit balance will be considered.
- A client may opt for upfront collateral in the form of pledged eligible securities and/or FD/ BG,. All rules to be complied as per SEBI circular.
- Existing open positions of client and the various margin obligations getting attracted
- Broker’s risk perception of the client
- Prevailing market volatility
- The benefit of ‘credit for sale of shares’ is to be considered only if early pay-in is done by client.
- In case of F&O trading, collateral received after the trading day in ‘client’s margin account’ will not be considered for margin and exposure calculation.

- In case of F&O, strict margin limits for upfront margin, exposure margin, MTM margin and volatility margin as calculated by exchange formulae will be adhered to before providing exposure.
- Scrip wise exposure can vary depending upon the group to which the scrip belongs. A client is liable to get less exposure for scrip under 'Z' & 'T' groups, as the broker has to keep in mind the total turnover of the scrip, liquidity during the day, per day limits for a particular Group (e.g. T, Z groups) set by Exchanges or any such reasons after referring the daily notices of Exchanges & SEBI.
- Updated ASM and GSM list will be referred before allowing exposure in such scrips.
- Exposure to many illiquid scrips can remain blocked at our end and can be activated only with management's approval.
- Any other relevant factor.

The client has to agree to exposure/margin variation, reduction, imposition and restrictions that can affect his ability to execute the orders. Further the client has to agree that the losses if any on account of such refusal or due to delay caused by periodic reviews or interventions shall be borne exclusively by the client alone.

Necessary limits will be set by our officials on the basis of document/s procured from client such as Balance sheet and Profit and Loss statement, Annual IT acknowledgement copy, Auditor certified net worth statement or self-declared net worth. Any one or combination of above documents will be scrutinized to arrive at a suitable terminal/ UCC limit for the client.

### **Policy 3. applicable brokerage rate**

- Brokerage rates will be charged within the limits prescribed by SEBI/Exchange.
- As per SEBI rules, brokerage on delivery trades cannot exceed 2.5% of market rate.
- At the time of opening of client's account the brokerage rates will be assigned in consultation with the client/sub-broker. Any change intended by either broker or client will be done after mutual discussion thereof.
- For option contracts brokerage will be charged on the premium at which the option contract was bought or sold and not on the strike price of the option contract.
- The management also reserves the right to decide upon brokerage rates to any client as per their comfort level and within the permissible range.
- For Block/Bulk deals, the negotiated brokerage rates may apply.

### **Policy 4. imposition of penalty/delayed payment charges by either party, specifying the rate and the period not resulting in funding by the broker in contravention of the applicable laws**

- Where the Broker is levied or pays any fine/penalties/punishment imposed by any of the authorities like SEBI/RBI/Exchanges/Banks etc in connection with/as a consequence of/in relation to any of the orders /trades/deals/actions/non-compliance of the client, then the same will be debited to the client.
- All penalties due to client's negligence, what-so-ever it may be, pertaining to their trading account or non-compliance shall be borne by Client.
- If for any reason the client defaults in his pay-in obligations whether at broker level or exchange level, then the broker has the right to recover from the client, the interest so charged by the authorities along with the penalties imposed.
- Any interest corresponding to the amount of shortfall of pay-in amount of the client raised from any bank or through private sources shall be debited to the client's account.

**Policy 5. the right to sell clients' securities or close clients' positions, without giving notice to the client, on account of non-payment of client's dues (Limited to the extent of settlement/margin obligation)**

- Without prejudice to the stock broker other rights (including the right to refer the matter to arbitration), the stock broker shall be entitled to liquidate /close out all or any of the client's position without giving notice to the client for nonpayment of margins or other amounts including the pay-in obligation, outstanding debts etc. and adjust the proceeds of such liquidation/close out, if any against the client's liabilities/obligations.
- The client shall ensure timely availability of fund/securities in the form and manner at designated time and in designated bank and depository account(s), for meeting his/her/its pay-in obligation of fund and securities. All losses on account of non-compliance of exchange obligation shall be borne by the client. Any available security/collateral would be subject to haircuts/MTM as the stockbroker may deem fit in his absolute discretion.
- The stockbrokers has the right but not the obligation, to cancel all pending orders and to sell /close/liquidate all open positions/securities/shares at a predefined square off time or when MTM percentage reaches or crosses stipulated margin percentage, whichever is earlier. The stockbroker will have the sole discretion to decide referred stipulated margin percentage depending upon the market condition. In the event of such square-off, the client shall bear all the losses based on actual executed prices, the client shall also be solely liable for all and any penalties and charges levied by the exchange.
- On the explicit directions of Exchanges/ SEBI or any government authority, the broker can freeze or resort to squaring off the position of client. In such cases all losses shall be borne by the client.
- Normally, a client who has outstanding debit balance for more than T+ 5 days can be asked to make good the expenses of all kind, including TOD/OD interest charges that the broker had to bear due to client's inability to clear their obligations in time.

(NSE Ref. No.: NSE/INSP/36889- Circular Ref. No.:318/2018- Date: February 02, 2018

Exchange circular NSE/INSP/41359 dated June 20, 2019 and SEBI circular CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019 on Handling of Clients' Securities by Trading Members/Clearing Members)

**Policy 6. shortages in obligations arising out of internal netting of trades**

It was mandated by SEBI to have a single designated clearing corporation across all exchanges under interoperability for BSE, NSE and Metropolitan Stock Exchange. Hence, after opting for NCL (NSE) as our sole clearing house across all exchanges, it has become imperative for us to revise our internal shortage policy.

Internal shortage arises when delivery pay-in /pay-out of sold/bought scrip remains unsettled between seller and buyer clients of the same broker.. In simpler words, when the seller of a security fails to deliver his securities that results in short delivery to another buyer client of the broker.

Facility for internal shortage is provided by NCL (National Clearing Corporation of NSE). We will be guided by the procedure laid out by NCL as per their circular reference no. NCL/CMPT/46456 dated November 25, 2020 and circular ref # NCL/CMPT/47402 dated February 19, 2021.Salient features of the facility:

1. Facility is for internal shortages in capital market segment and physical settlement of equity derivatives.
2. Clearing members shall provide a list of securities to be auctioned along with trading member, client code and shortage quantity to NCL through a file upload in the format as provided. The file should be

uploaded prior to 08:30 AM on settlement date.

(The above cut off time is for broker execution and not for clients. For all the clients we would consider cut off time as 6.00 p.m. one day prior to settlement day.)

3. NCL shall validate the records and provide a return file with status success/reject to the Clearing Members. Only successful records shall be taken up for further processing.

4. NCL shall debit from the settlement account an amount equal to the valuation of the securities provided towards auction. Clearing Members are required to provide valuation amount in their settlement account by 10:00 AM.

5. In case of successful auction, valuation amount so collected shall be utilized towards auction pay-in on auction settlement day. Excess, if any, shall be returned to clearing member after making necessary adjustments and shortfall, if any, shall be recovered from the clearing member. In case of unsuccessful auction, the entire valuation amount shall be returned to the clearing member.

6. In case where auction is successful but there is settlement shortage i.e. auction seller fails to deliver the securities on T+3 day, NCL shall conduct financial close out in accordance with the exchange procedures.

7. It shall be sole responsibility of the Clearing Member to ensure correctness and completeness of the settlement shortages reported to NCL for auction.

8. There shall be facilitation fees of 1% on the value of security considering the price of security on day prior to auction. The amount including applicable taxes shall be collected on monthly basis.

Further this is only a facility at exchange level and no settlement guarantee shall be provided by exchange.

If for any unforeseen reason the procedure for internal shortage is not initiated then the following policy will be adopted. The client has to agree to the procedure set by us for internal shortage if he/she fails to deliver the securities sold by him/her which tantamount to non-fulfillment of the market obligation at BSE/NSE/Metropolitan Exchange. In such a case the contract shall be mandatorily closed out at NSE and the close out price will be higher of the following:

(a) Highest traded price of the scrip prevailing on NSE beginning from T day till the corresponding auction day

OR

(b) The closing price of the securities on the auction day increased by 5% for both cash and F&O segments.

The amount so determined shall be debited to the seller who failed to deliver the securities in time and credited to the buyer of the same scrip.

# If the securities under close are not listed on NSE then aforesaid procedure shall be applied to BSE.

In case of securities having corporate actions that are under no-delivery period: In all such cum-benefit cases of short delivery which cannot be auctioned on cum basis or where cum-benefit pay-out is after book closure /record date then in such a situation it would attract compulsory close out at 10% above the official closing price on the auction day or the highest traded price from the trading day till the corresponding auction day.

The effect of the above amount will be debited to the defaulter client and credited to the buyer client. No actual delivery will be delivered to the buyer in case of internal shortage.

### **Policy 7. conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client**

The above condition applies in the following cases:

- When the gross exposure/collateral set for the client gets exhausted.
- The existing position of the client is also liable to be squared up when the client fails to provide extra margin or fails to fulfill his obligations even upon being intimated.
- Due to non-receipt or non-fulfillment of money and/or delivery pay-in & payout obligation by the client in case of cash segment.
- Due to non-receipt or non-fulfillment of money pay-in obligation by the client as required by exchanges in F&O segment.
- In extraordinary circumstances whence the Broker is advised by the Exchange to reduce exposure to facilitate smooth working of the Exchange.
- In view of the high volatility of market
- Under all such circumstances as per our RMS policy, client may not be allowed to take further position.
- The existing position of the client will also be liable to be squared off/closed out without giving notice due to shortage of margin/ non making of payment for their pay in obligation/outstanding debts.

### **Policy 8. temporarily suspending or closing a client's account at the client's request**

- A client's account can be temporarily suspended if the client gives in writing to do so with proper reason. It can be re-activated on receipt of written instruction from the client. However client would be allowed to settle his ledger account during suspended period.
- The management also reserves the right to temporarily close a client's account till he fulfills /complies with his due obligations.
- Closure of client's account- A client's account can be closed if a written request is received for the same, provided he has settled his account across all segments in terms of money and share delivery.

### **Policy 9. deregistering a client**

Notwithstanding anything contrary stated in the agreement, the stock broker shall be entitled to terminate the agreement in any of the following circumstances:

- 1) In case of death/lunacy or any other disability of the client
- 2) In case of breach of any term, condition or covenant of this agreement
- 3) In case the client has made material misrepresentation in the facts disclosed in his KYC
- 4) If there is commencement of any legal proceedings against the client under any law in force.
- 5) If the action of the client are prima-facie illegal/improper or one that points to price manipulation or that disturbs the normal functioning capital market, whether alone or in conjunction with others.
- 6) In case the client defaults in fulfillment of his exchange related obligations
- 7) In case of dissolution of partnership firm and the partnership firm or any of its partner being the client of the broker.
- 8) If the client has voluntarily or compulsorily become the subject of proceedings under any bankruptcy or insolvency law or being a company, goes into liquidation or has a receiver appointed in respect of its assets or refers itself to BIFR or under any other law providing protection as a relief undertaking.
- 9) If any covenant or warranty of the client is incorrect or untrue in any material respect.
- 10) If there is reasonable apprehension that the client would be unable to pay its debts or the client has admitted its inability to pay its debt as and when they become payable.
- 11) If a receiver, administrator or liquidator has been appointed or allowed to be appointed for all or any part of the undertaking of the client.
- 12) If there is reasonable apprehension about the clients' solvency or ability to fulfill his obligations.

All losses pertaining to this effect shall be borne by the client.

### **Policy 10. policy regarding treatment of inactive/dormant client**

We at K M Jain Stock Brokers Pvt Ltd follow the guidelines issued by SEBI - regarding treatment of inactive account and ensure uniformity across all the segments. We will adhere to the following guidelines, framed by SEBI in joint consultation with other Exchanges, which are as follows:

(Reference Exchange circulars no. NSE/INSP/43488 dated February 10, 2020, NSE/INSP/46506 dated December 01, 2020 and NSE/INSP/ 49743 dated September 27, 2021 with respect to guidelines on Treatment of Inactive Trading Account)

Guidelines on Treatment of Inactive Trading Account as under:

1. Definition of Inactive Trading Account: In case of trading account, the term inactive account refers to such account wherein any of below mentioned activities has not been carried out by client since last 24 (Twenty-Four) months:

- Trading or participation in OFS/buy-back/Open Offer across any of the exchanges/segments\* of the exchanges through the same Member or

\*Cash/Equity Derivative/ Currency Derivative/ Commodities Derivative/EGR /Debt/Online Bond Platform/ Execution Only Platform /Any other segment as may be allowed by SEBI/stock exchanges from time to time.

- Transaction in nature of applying/subscribing IPOs (where the IPO bid is successful & not cancelled)/SGBs/Mutual Funds (lumpsum investment or investments through successful SIP instalment payments) on the Mutual Fund platform of the stock exchanges through the same Member or
- Modification/update of e-mail Id/Mobile Number/Address in KYC record of client through the same Member and the same has been uploaded to KRA to ensure Validated/Registered status

2. The inactive accounts identified based on the above criteria shall be flagged as 'Inactive' by K M Jain Stock brokers Pvt Ltd in our UCC database across all segments of all Exchanges.

3. In case the client who is flagged as inactive seeks re-activation of the trading account, we while reactivating the said client, shall:

- Mandatorily comply with In-Person Verification/Video In-Person Verification (IPV/VIPV) requirement specified in the SEBI Master Circular on KYC dated October 12, 2023.
- Seek confirmation from the client if there is any change in clients' basic details such as Address, Mobile number, Email ID, Bank/DP account, income, etc. as registered with the Member. In case of changes in any of the said details, the Member shall seek the updated details along with the necessary documents and update in its records as well in the UCC records of the respective Exchanges. In case of KRA Validated status or Registered status through same intermediary cases, the Trading Member may fetch the details along with the necessary documents from the KRA record and display the said details for confirmation of the client and updation in its record. If there is change, then member shall update the UCC records of Exchanges as well as KRA. If client has confirmed that there is no change, the Member shall maintain the verifiable logs of the same.

- Notwithstanding anything contained above, in case a client seeks re-activation then we shall verify client status as per KRA and if the client status as per KRA is not validated ( i.e. "On hold"/"Rejected"/"Registered" through other intermediary, etc.) then the member shall seek basic details like Address, Mobile number, Email ID, Bank/DP account, income, etc. along with the necessary documents as required by KRA and upload the same to KRA to ensure validated/registered status as per KRA before permitting client to trade on the Exchanges.

4. Once an inactive trading account is re-activated as per the procedure prescribed in point no. 3 mentioned above, the computation of next 24 months for the purpose of identifying client as inactive in the subsequent period shall be considered from the date of last reactivation of trading account.

5. We will send the communication/notification to the clients prior to flagging their trading account as inactive however such communication/notification should not ask the clients to trade in order to prevent their accounts from being flagged as inactive. Any non-compliance in this regard may attract strict disciplinary actions against us by the exchanges.

6. In case of existing clients who are inactive as per earlier guidelines, but are active as per revised guidelines, they may be considered as active client for trading. However, while reactivating such clients' accounts, the we shall also ensure to update the status of such clients as active in UCC database of Exchange.

7. We shall not be required to upload the details of such inactive clients having NIL balances in daily submission of Holding Statement to the Exchange as prescribed in NSE Circular NSE/INSP/55380 dated January 25, 2023 and daily submission of Segregation and Monitoring of Collateral at Client level to Clearing Members/Clearing Corporations. However, details of the clients having funds or securities balances shall be reported (daily submission of Segregation and Monitoring of Collateral at Client level file reporting to Clearing Corporations in case of funds and daily submission of Holding Statement to the Exchange in case of securities) even if their UCC has been flagged as 'Inactive'.

8. Notwithstanding anything contained above, we shall also ensure adequate due diligence of the client on an ongoing basis (including, but not limited to, doing Re-KYC) in compliance with the provisions of the PMLA guidelines issued from time to time and in accordance with their respective KYC policies.

9. Return of Clients assets: We will ensure that all client accounts are settled on monthly or quarterly basis (as per the client preferences) in the manner prescribed from time to time. In case we are unable to settle the client accounts due to non-availability of client's account details and non-traceability of client, we will make all efforts to trace the clients to settle client account and maintain an audit trail for such efforts made for tracing such clients and settling their account. In case of receipt of any claims from such clients, we will settle the accounts immediately and ensure that the payment/delivery is made to the respective clients only. We shall ensure to keep such unsettled funds up streamed to Clearing Corporations.

In order to reactivate the dormant account, client needs to instruct KMJPL in writing in prescribed format in advance at its Mumbai H.O. Such written request DULY SIGNED BY CLIENT may also be sent by way of e-mail to compliance department at [accounts@kmjpl.com](mailto:accounts@kmjpl.com) or [compliance@kmjpl.com](mailto:compliance@kmjpl.com) from client's own e-mail account registered with KMJPL. We shall reactivate the said account subject to fulfillment of such conditions as KMJPL may consider fit and proper and in accordance with Exchange rules and regulations.

The policy shall be amended from time to time under the directions of SEBI and Exchanges.



## **Policy 11. Client code modification Policy**

Ref SEBI circular dated CIR/DNPD/6/2011 dated July 5, 2011 and further to Exchange Circulars - NSE/INVG/2011/18484 dated July 29, 2011, NSE/INVG/2011/18716 dated August 26, 2011, NSE/INVG/24045 dated July 31, 2013, NSE/SURV/27878 dated October 21, 2014, NSE/INVG/31729 dated February 12, 2016, NSE/INVG/35398 dated July 19, 2017, NSE/INVG/41356 dated June 20, 2019, NSE/INVG/41459 dated June 28, 2019; NSE/INVG/42106 dated September 11, 2019, regarding modification of Client Codes of Non-Institutional Trades.

Based on the guidelines and regulations set by Exchanges, we at K M Jain Stock Brokers Pvt Ltd would adhere to the following policy for client code modification:

All our clients should be aware and note that with an objective to reduce order entry mistakes and to discourage client code modifications, the exchanges have designed a penalty structure in all cases of client code modification as applicable and considered appropriate. The framework for Client Code Modification monitoring and penalty is as under:

### **Penalty on Client Code Modification where either original code or modified client code is non-institutional client category:**

As per Exchange circulars - NSE/INVG/2011/18484 dated July 29, 2011, NSE/INVG/2011/18716 dated August 26, 2011, and NSE/INVG/35398 dated July 19, 2017, any client code modification from a non-institutional client category to non-institutional / institutional client category shall be subject to penalty. Further, client code modification from an institutional client category to non-institutional client category shall be subject to penalty.

The following penalty structure will be applicable:

<b>“a” as % of “b”</b>	<b>Penalty as % of “a”</b>
≤ 5	1
> 5	2

Where:

“a” = Value (turnover) of non-institutional trades where client codes have been modified by a trading member in a segment during a calendar month. “b” = Value (turnover) of non-institutional trades of the trading member in the segment during the calendar month.

### **Designated ERROR account**

As per Exchange circular - NSE/INVG/2011/18716 dated August 26, 2011, Trading members would be required to disclose the client codes which are classified as ‘Error Accounts’ to the Exchange at the time of UCC upload. It is proposed to standardize the naming convention of the designated error account. The naming convention w.r.t classification of Error Accounts by the Trading Member will be as under:

The client code of the designated error account should have the nomenclature as “ERROR” or “ERROR%” where % is a number. The name of the designated error account should have the nomenclature as “TM Name - Error Account”.

We at K M Jain Stock brokers pvt Ltd have opened the same in the name and style of  
**“ K M Jain Stock Brokers Pvt Ltd**

## **Sub-Type - ERROR A/C**

*(In cases where the trading member fails to maintain a single active designated “ERROR” account, a penalty of Rs. 10,000 per month of violation will be applicable. Further, after 3 months disciplinary action shall be initiated.)*

### **Modification to ERROR client code category and Liquidation of trades transferred to ERROR account.**

As per Exchange circular - NSE/INVG/2011/18716 dated August 26, 2011, shifting of any trade (institutional or non-institutional) to the error account of the trading member shall not be treated as modification of client code provided the positions arising out of trades in error account are subsequently liquidated / closed out in the market and not shifted to some other client code.

Trading Members will be provided with a timeline of 3 working days (including the day of trade) to square off / liquidate their trades flowing into error account. In case trades / open positions are not liquidated or squared off within the prescribed time limit, a penalty as prescribed in para 1.2 would be applicable. This timeline is subject to availability of liquidity in the scrip/contract. In case the liquidity is not sufficient, the Trading Member should approach the Exchange within one trading day if sufficient liquidity is not available at the Exchange. The square off / liquidation must be done at the earliest. The decision of the Exchange on the question of “Availability of liquidity” will be final and binding.

In case from the ERROR account, modification is done to some other client code, a penalty at the rate of 2% of traded value will be levied. In case of such repeated instances, in addition to the penalty levied further disciplinary action as deemed fit would be initiated.

Exchange will periodically review the trades flowing to “error accounts” of the brokers. For suspicious or unusual modifications observed, suitable disciplinary action would be initiated.

We at K M Jain Stock brokers Pvt Ltd will strengthen our internal controls to minimize the instance of modifications into Error account to avoid disciplinary action proceedings from the Exchange.

### **In addition to the above, client code modifications wherein both the two client codes (original code and modified code) are of institutional category the framework for monitoring and penalty will be as under:**

Modification between client codes of two entities which are of the institutional category will be allowed only if the modification from both client codes is from different schemes / sub-accounts of / managed by the same Institution. Such modifications shall not be subject to penalty. For FPIs, the group will be considered as uploaded by Members under the facility of “FPI Client Mapping – File Upload” as provided in “16.5 OTR allocation for Foreign Portfolio Investor (FPI)” under “Part B” of circular “NCL/CMPT/50876 dated January 03, 2022”.

With respect to trades settled through DVP mechanism, Trading Members would need to report the name of entities to whom the trades were settled. The original client would be the client in whose client code the trades were executed, and the modified client code will be the PAN in whose name trades were settled through DVP mechanism. In the event that, the Exchange finds that modified client code is not of / managed by the same institution, penalty shall be levied.

Any modification between two client codes which are of institutional category and do not satisfy the criteria mentioned in para 4.1 above i.e., modification between two unrelated institutional clients will be subject to penalty.

For 4.2 and 4.3, the applicable penalty on such modifications will be computed as below:

“a” as % of “b”	Penalty as % of “a”
≤ 5	1
> 5	2

Where: “a” = Value (turnover) of institutional trades where client codes (unrelated institutional clients) have been modified by a trading member in a segment during a calendar month.

“b” = Value (turnover) of institutional trades of the trading member in the segment during a calendar month.

Reasons for client code modification and error trades.

As per Exchange circular - NSE/INVG/41459 dated June 28, 2019, and NSE/INVG/42106 dated September 11, 2019, Trading members would be required to provide the reasons for client code modification and error trades.

The facility of providing the reasons based on objective criteria have been provided in ENIT portal at:

Compliance => Client Code Modification => Client Code Modification Reason

The reason for modification is mapped as following:

Reason Code	Description
0	Modified to Error
1	Error due to communication or Punching / Typing Error such that the original client code / name and the modified client code / name are similar to each other
2	Modification with Relatives (as per Companies Act, 2013)
3	Allocation to related schemes / sub-accounts

### **Frequent Client Code Modifications.**

In addition to the penalty levied as stated above, Exchange shall undertake disciplinary actions as deemed fit in terms of Rules, Byelaws and Regulations of the Exchange against Trading Members who undertake frequent client code modifications.

For para 6.1, such instances of client code modification mentioned below shall not be considered while computing the frequency of client code modifications.

Modification to ERROR account which is liquidated within 3 working days.

Modification between two client codes which are of institutional client category and belong to same group as specified in para 4.1 above.

Procedure of waiver of penalty

With reference to Exchange Circular - NSE / INVG / 2011 / 18484 dated July 29, 2011, the following will be classified as genuine errors for the purpose of client code 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.

Modification within relatives ('Relative' for this purpose would mean as defined under Companies Act, 2013).

Subject to the reasons mentioned above, Trading Members may kindly note that the request for waiver of penalty along with reasons and relevant supporting documents should be submitted to the Exchange within a period of 3 calendar months from the date of levy of penalty failing which request for waiver shall not be accepted.

Trading members are required to take note of the same and take adequate precautions while placing the orders. The provisions of the circular shall be effective from June 01, 2023.

For any clarification, NSE contact # Mr. Ashish Tiwari or Mr. Sareesh Koroth on +91 22-26598417/18.

### **Policy 12. policy on cash/bank contra A/c**

To facilitate pay-in/ pay-out obligations among various segments namely 'BSE , MCX-SX, NSE & NSE F&O ' , we move funds from one segment to another in the form of contra entry, subject to the following points:

1. Fund to be moved when a client has credit lying in one segment and pay-out/credit in another segment.
2. To bring about agility in the system and avoid delays
3. To avoid the inconvenience of taking cheque in one segment and delivering in another.
4. And, above all to ensure smooth process of fulfilment of market obligations.

### **Policy 13. Investor grievances policy**

All investors are free to communicate their grievances through our dedicated investor grievances email id: [grievances@kmjpl.com](mailto:grievances@kmjpl.com) or through our investor grievances register kept in all our offices at convenient accessible place. Investors will be assured prompt reply and resolution to their grievances. We, as broker are bound by SEBI circular CIR/MIRSD/3/2014 dated August 28, 2014 for redressal mechanism. The process for prompt redressal would entail the following steps:

- Nature of grievance- whether monetary, documentary requirement or otherwise
- If monetary- then the cause and the veracity needs to be established. If the veracity is established by our back office then the client can expect quick dissipation. If veracity is denied by our back office, then the client would be duly informed with facts and figures.
- If non-receipt of a document- then the back office manager would ensure that the documents are despatched immediately or a duplicate copy is forwarded to the client.
- Other grievances- solution to be decided only after collating the details.
- If the client remains dissatisfied with managerial decision then he can contact the investor grievance cell of respective exchange. The contact details are displayed at all offices as well as in KYC form.

For any grievance/dispute, clients can contact head office of K. M. JAIN STOCK BROKERS PVT. LTD. Or correspond with the Exchanges on the given below Email Ids.

E-mail ID for investor grievances: [grievances@kmjpl.com](mailto:grievances@kmjpl.com)

BSE - Investor Grievance Cell	NSE - Investor Grievance Cell	MSEI- Investor Grievance Cell
Tel. No. : 022 2272 8016/97	Tel. No. : 022 2659 8191: : 1800 220 050 (Select IVR option 5)	Tel. No. : 022 61129069
E-mail Id : <a href="mailto:is@bseindia.com">is@bseindia.com</a>	E-mail Id : <a href="mailto:ignse@nse.co.in">ignse@nse.co.in</a>	E-mail Id : <a href="mailto:investorcomplaints@msei.in">investorcomplaints@msei.in</a>

## **14. Policy for prevention of unauthentic news in circulation by staff**

### ***General rules as laid down under SEBI circular no Cir/ ISD/1/2011 dated March 23, 2011 and addendum thereof:***

Our company discourages circulation of unauthentic news and hearsays by our staff, through emails, SMS, Whatsapp, any social interaction site or printed material. All research news is handled only by our sole research department active in our Mumbai head office. Any news not bearing our research department approval shall have no bearing and may be considered false. All the printed material emanating from our research department, in Mumbai Head office will always be based on facts and /or permissible scientific assumptions.

Exchange has been publishing on its website and on trading terminals from time to time providing names of companies in which unsolicited messages were found to be circulated advising the market participants to carry out necessary due diligence while dealing in such securities. We as a broker are bound by SEBI guidelines pertaining to unauthenticated news in circulation: refer SEBI circular no Cir/ ISD/1/2011 dated March 23, 2011 & NSE/INVG/54165 dated October 21, 2022 that deals with the subject: Surveillance Action w.r.t dealing with unsolicited videos and messages circulated in social media. The applicable actions from exchanges can be and not restricted to:

- Reduction of Price Band wherever applicable
- Scrip will be shifted to Trade-to-Trade settlement
- Applicable rate of margin shall be 100% w.e.f. December 16, 2022 on all open positions as on December 15, 2022 and new positions created from December 16, 2022 onwards.

Market participants may note that Surveillance Action w.r.t dealing with unsolicited videos and messages circulated in social media framework shall be in conjunction with all other prevailing surveillance measures being imposed by the Exchanges from time to time. Further, it may also be noted that the shortlisting of securities under Surveillance Action w.r.t dealing with unsolicited videos and messages circulated in social media framework is purely on account of market surveillance, and it should not be construed as an adverse action against the concerned company / entity.

For further queries, contact [surveillance@nse.co.in](mailto:surveillance@nse.co.in) or call on +91-22-2659 8129/ 66 or +91-44-6630 9949 / 93.

### ***Code of Conduct for Employees:***

As directed by SEBI, the intermediaries should have a code of conduct for their employees, which inter-alia, should cast responsibility on the employees that they should refrain from originating or spreading unauthenticated market related news or rumors.

The employee while referring to the 'unauthenticated market related news or rumours' should clearly state that it is an unauthenticated market related news or rumour and has no discernible basis. Further, employees should be directed that any 'unauthenticated market related news or rumours' 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.

Logs for usage of those Blogs/Chat forums/Messenger sites etc. made available to the employees by the intermediary shall be treated as records and the same should be required to be maintained as specified under the respective Regulations which govern the concerned intermediary.

### ***Role of Compliance officer:***

The Compliance Officer shall

[a] put in place adequate systems which shall make best efforts to prevent the spreading of

unauthenticated market related news or rumors by employees of the intermediary.

[b] Formulate clear and transparent policies on handling unauthenticated market related news or rumors etc. and communicating the policies to all employees.

[c] Document appropriate training policies and programs reasonably designed to ensure that employees comply with their responsibilities and obligations.

[d] Ensure affirmation of these policies by each employee periodically.

[e] Conduct periodic monitoring to ensure compliance with the laid down policies and take action in case an employee is found violating the laid down policy.

[f] Report the same to SEBI in terms of extant Regulations

### **15. Policy for trading in illiquid stocks**

As per SEBI's direction, the Exchanges draw up a list of illiquid securities on monthly basis, based on criteria jointly decided by SEBI, NSE and BSE. The list is then made known through exchange circular.

We as trading member are advised to exercise additional due diligence while executing trades in these securities either in Pro account or on behalf of our clients.

An illiquid stock can be typified as one which has almost all the given below characteristics:

- Highly speculative and risky because of lack of liquidity
- Large bid-ask spreads
- Showing sporadic volume patterns
- Periodically classified by Exchanges in their list of –'illiquid securities', intimated through their daily notices.

Our RMS reserves the "right to refusal" to trade in such stocks and consequently all losses pertaining to it would be borne by the client. The client should also be ready to pay 100% margin pertaining to the scrip, if need be. Such stocks would not be considered for client's exposure or margin.

The dealers and clients should refer GSM and ASM scrip's list also before execution of any trade.

### **16. Policy for Insider Trading**

The Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, was amended on 22nd 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 K.M.Jain Stock Brokers Pvt Ltd (hereinafter referred to as "KMJPL"), Member of the Stock Exchange, Mumbai & National Stock Exchange Ltd.

#### **Director**

KMJPL has an appointed Compliance Officer who reports to the Managing Directors/other directors.

The Compliance Officer shall be responsible for setting Policies and Procedures and monitoring the Rules & Regulations 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 KMJPL). Monitoring of Trades and the Implementation of the Code of Conduct under the overall Supervision of the Directors

The Compliance Officer shall maintain a record of all KMJPL Employees and any Changes done in the Employees List form time to time & help to understand any Clarifications regarding SEBI (Prohibition of Insider Trading) Regulations, 1992 and KMJPL's Code.

#### **Prevention of "Price Sensitive Information"**

Employees / Directors shall maintain the Confidentiality of all Price Sensitive Information & must not

pass such Information directly or indirectly by way of making a Recommendation for the Purchase or Sale of Securities

Price Sensitive Information is to be handled on a "Need to Know" basis, i.e. Price Sensitive Information should be disclosed only to those within KMJPL, 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.

All Files of KMJPL, containing Confidential Information shall be kept Secure & all computer files must have Adequate Security of Login and Password, etc

To prevent the Misuse of Confidential Information, KMJPL separates those Areas which routinely have access to Confidential Information, considered "Inside Areas" from those Areas which deal with Sale / Marketing / Investment Advice or other Departments providing Support Services, considered "Public Areas".

The Employees in Inside Area may be physically segregated from Employees in Public Area.

The Employees in the Inside Area shall not communicate any Price Sensitive Information to anyone in Public Area.

### **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, KMJPL's Account or a Client's Account. The Trading Restrictions shall apply for Trading in Securities.

All Directors / Employees of KMJPL, who intend to deal in the Securities of listed Companies where KMJPL has some assignments shall pre-clear the Transactions as per the pre-dealing Procedure as described here below.

An Application may be made in such form as specify by KMJPL in this regard, to the Compliance Officer indicating the Name and Estimated Number of Securities that the Employees / Director intends to deal in with details of Demat DP with which he has a Security Account, the Securities in such Depository Mode and any other details as may be prescribed by KMJPL in his rule & regulations.

An Undertaking shall be executed in favor of KMJPL by such Employees / Directors incorporating, the following Clauses, as may be applicable

That the Employees / Director do not receive any "Price Sensitive Information" at the time of signing the Undertaking

That in case the employees / director / partner receive "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 listed companies.

That he / she has not contravened the Code of Conduct for prevention of Insider Trading as specified by KMJPL.

That he / she has made a Full and True Disclosure in the matter

### **Restricted / Grey List**

In order to monitor above Procedures and Trading in Client Securities based on Inside Information, KMJPL 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 KMJPL is handling any Assignment for the Listed Company or preparing Appraisal Report.

Any Security, which is being purchased or sold or is being considered for Purchase or Sale by KMJPL on behalf of its Clients shall be put on the Restricted / Grey List

As the Restricted List itself is a Highly Confidential Information it shall not be communicated to anyone outside KMJPL. The Restricted List shall be maintained & kept by Compliance Officer

### **Penalty for Contravention of the Code**

Any Employee / Director who trades in Securities or communicates any Information or counsels any Person Trading in Securities, will be treated as Contravention of the Code & conduct, may be penalized and appropriate Action may be taken by KMJPL

Employees / Directors of KMJPL, who violate the Code, may also be subject to Disciplinary Action by the Company.

The Action by KMJPL shall not preclude SEBI from taking any Action in case of Violation of SEBI (Prohibition of Insider Trading) Regulations, 1992

### **Information to SEBI in case of Violation of SEBI (Prohibition of Insider Trading) Regulations**

In case of any violation observed by KMJPL / its Compliance Officer that there has been a Violation of these Regulations, KMJPL shall inform the SEBI

### **17. Policy for monitoring and reporting alerts as approved by the board- Surveillance Policy: (Refer revised and New Surveillance Policy formulated on 19<sup>th</sup> July 2021)**

Trading members are directed to have proper mechanisms and to ensure that proper checks and balances are in control. The Company shall implement the following policy:-

#### 1) Transactional Alerts provided by the exchange:

In order to facilitate effective surveillance mechanisms, the Firm would download the below mentioned alerts based on the trading activities on the exchanges.

Sr. No.	Transactional Alerts	Segment
1	Significantly increase in client activity	Cash / F&O
2	Sudden trading activity in dormant account	Cash / F&O
3	Clients/Group of Client(s), deal in common scrips	Cash / F&O
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips	Cash
5	Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash
6	Client / Group of Client(s) Concentration in a scrip	Cash / F&O
7	Circular Trading	Cash
8	Pump and Dump	Cash
9	Reversal of Trades	Cash Derivatives
10	Front Running	Cash
11	Concentrated position in the Open Interest / High Turnover Concentration	Derivatives
12	Order Book Spoofing i.e. large orders away from market	Cash / F&O
13	High value transaction	Cash
14	SEBI Debarred Entities	Cash / F&O
15	TRAI	Cash / F&O

The Firm may formulate its own alerts in addition to above mentioned type of alerts.

#### 2) Clients Information:

The Company will carry out the Due Diligence of its client(s) on a yearly basis. Further, we will ensure that key KYC parameters are updated on a yearly basis and latest information of the client is updated in Unique Client Code (UCC) database of the Exchange. Based on this information the Company shall



establish groups / association amongst clients to identify multiple accounts / common account / group of clients.

### 3) Analysis:

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips identified on the basis of above alerts, we will carry out the following procedure:

a. To seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.

b. To seek documentary evidence such as bank statement / demat transaction statement or any other documents listed below:

i) In case of funds, Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met, to be sought. In case of securities, demat account statements of the Client(s) / Group of Client(s) from which securities pay-in has been met, to be sought.

ii) The period for such statements may be at least 15 days from the date of transactions to verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.

c. The Company shall review the alerts based upon:

- Type of the alerts downloaded by the exchange
- Financial details of the clients
- Past Trading pattern of the clients/ client group
- Bank /Demat transaction details
- Other connected clients in UCC (common email/mobile number/address, other linkages, etc)
- Other publicly available information.

d. After analyzing the documentary evidences, including the bank / demat statement, the Firm will record its observations for such identified transactions or Client(s) / Group of Client(s). In case adverse observations are recorded, the Compliance Officer shall report all such instances to the Exchange within 45 days of the alert generation. The Firm may seek extension of the time period from the Exchange, wherever required.

### 4) Monitoring and reporting:

For effective monitoring, the Company;

- Within 30 days of alert generation shall dispose off the alert, and any delay in disposition, reason for the same shall be documented.
- In case of any Suspicious or any Manipulative activity is identified, the same will be mentioned in the Register to be maintained for the purpose and will be reported to the Stock Exchanges within 45 days of the alert generation.
  - a. The Company shall prepare quarterly MIS and shall put to the Directors on the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed off during the quarter and pending at the end of the quarter. Reasons for pendency shall be discussed and appropriate action shall be taken. Also, the Board shall be apprised of any exception noticed during the disposition of alerts. The surveillance process shall be conducted under overall supervision of its Compliance Officer. Compliance Officer would be responsible for all surveillance activities carried out by the Company and for the record maintenance and reporting of such activities.
  - b. Internal auditor of the Company shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the period of audit. Internal auditor shall record the observations with respect to the same in their report.

These policies have been adopted by the trading member as on **1.04.2010** and may have been revised/reviewed over time. These policies may be reviewed as and when there will be changes

introduced by any statutory authority or as and when it will be found necessary to change the policy due to business needs.

## **18: POLICY FOR -CODE OF BUSINESS CONDUCT AND ETHICS**

### **Introduction**

This Code of Business Conduct and Ethics covers a wide range of business practices and procedures. It sets out basic principles to guide all employees of the firm. It is supplemented by our Policies, Guidelines and Procedures, which, collectively, provide a framework for prudent decision-making.

All of our employees must conduct themselves in accordance with this Code and seek to avoid even the appearance of improper behavior. In this respect, our tradition is that we will engage in no business or political arrangement that would be embarrassing to us if it were published on the front page of the local paper.

A Firm can create a more restrictive policy if the partners believes such a policy would enhance the spirit and intent of this policy.

This Code also should be provided to and followed by the firm's agents and representatives, including consultants.

If a law conflicts with a policy in this Code, you must comply with the law; however, if a local custom or policy conflicts with this Code, you must comply with the Code. If you have any questions about these conflicts, you should ask your supervisor how to handle the situation.

Employees who violate the standards in this Code will be subject to disciplinary action. *If you are in a situation that you believe may violate or lead to a violation of this Code, follow the guidelines described in Section 11 of this Code.*

### **1. Compliance with Laws, Rules and Regulations**

Obeying the law, both in letter and in spirit, is the foundation on which this firm's ethical standards are built. All employees must respect and obey the laws of the cities, states and countries in which we operate. Although not all employees are expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel. The firm holds information and training sessions to promote compliance with laws, rules and regulations, including insider trading laws.

### **2. Conflicts of Interest**

A "conflict of interest" exists when a person's private interest interferes in any way with the interests of the firm. A conflict situation can arise when an employee, officer or partner takes actions or has interests that may make it difficult to perform firm work objectively and effectively. Conflicts of interest also may arise when

- (a) an employee, officer or partner, or family member, receives personal benefits from third parties as a result of his or her position in the firm. For example, loans or guarantees of obligations of loans to employees and their family members may create conflicts of interest.

- (b) It is almost always a conflict of interest for a firm employee to work simultaneously for a competitor, customer or supplier. You are not allowed to work for a competitor as a consultant or board member.
- (c) Any employee who wishes to perform consulting services of any kind must inform and obtain prior approval from the partners. In no event may an employee perform consulting services for a competitor. Additionally, outside consulting is viewed as a conflict of interest for salaried employees who are expected to devote their professional efforts solely to the firm. The best policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on our behalf.
- (d) Acceptance of gifts in a business relationship can also result in a conflict of interest. No gift or entertainment should ever be accepted by any firm employee, directly or indirectly through a family member or agent unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff and (5) does not violate any laws or regulations. Please discuss with your supervisor any gifts or proposed gifts that you are not certain are appropriate. Any gift given or received that is valued in excess of Rs.1000 must be reported to the Compliance Officer.

Conflicts of interest are prohibited as a matter of firm policy, except under guidelines approved by the Partners. Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with higher levels of management. Any employee, officer or partner who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager or other appropriate personnel or consult the procedures described in Section 11 of this Code.

### **3. Insider Trading**

Employees who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business. All non-public information about the firm should be considered confidential information. To use non-public information for personal financial benefit or to “tip” others who might make an investment decision on the basis of this information is not only unethical but also illegal. If you have any questions, please consult the firm’s Compliance Officer.

### **4. Corporate Opportunities**

Employees, officers and partners are prohibited from taking personal gain through the use of firms property, information or position without the consent of the partners. No employee may use firms property, information or position for improper personal gain, and no employee may compete with the firm, directly or indirectly. Employees, officers and partners owe a duty to the firm to advance its legitimate interests when the opportunity to do so arises.

### **5. Competition and Fair Dealing**

We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner’s consent, or inducing such disclosures by past or present employees of other companies is prohibited. Each employee should endeavor to respect the rights of and deal fairly with the firm’s customers, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation,

concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

To maintain the firm's valuable reputation, compliance with our quality processes and safety requirements is essential. In the context of ethics, quality requires that our products and services be designed and produced to meet our obligations to customers. All inspection and testing documents must be handled in accordance with all applicable regulations.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships. No gift or entertainment should ever be offered, given, or provided by any firm employee, directly or indirectly through a family member of an employee or agent unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff and (5) does not violate any laws or regulations. Please discuss with your supervisor any gifts or proposed gifts that you are not certain are appropriate. Any gift given or received that is valued in excess of Rs.1000 must be reported to the partners.

## **6. Payments to Government Personnel**

The Legal Framework prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country.

In addition, the Indian government has a number of laws and regulations regarding business gratuities that may be accepted by Indian government personnel. The promise, offer or delivery to an official or employee of the Indian government of a gift, favor or other gratuity in violation of these rules would not only violate firm policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. The firm's Compliance officer can provide guidance to you in this area.

## **7. Record-Keeping**

Honest and accurate recording and reporting of information is required of all employees. Records should always be retained or destroyed according to the firm's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation please immediately consult the firm's partners, as set forth in the firm's legal policy. Maintain all records related to the matter until after consultation with partners.

All of the firm's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the firm's transactions and must conform both to applicable legal requirements and to the firm's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable law or regulation and approved by the firm's partners.

Business records and communications often become public, and we should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that can be misunderstood. This applies equally to e-mail, internal memos and formal reports.

## **8. Confidentiality**

Employees must maintain the confidentiality of confidential information entrusted to them by the firm

or its customers, except when disclosure is authorized by the firm's Partners or required by laws or regulations. Confidential information includes all nonpublic information that might be of use to competitors, or harmful to the firm or its customers, if disclosed. It also includes information that suppliers and customers have entrusted to us. The obligation to preserve confidential information continues even after employment ends.

## **9. Protection and Proper Use of firm Assets**

All employees should protect the firm's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the firm's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. firm equipment should not be used for non-firm business, though incidental personal use is permitted.

The obligation of employees to protect the firm's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks and copyrights, as well as business, marketing and distribution plans, engineering ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate firm policy. It also could be illegal and result in civil or even criminal penalties.

## **10. Statements to the Public**

No public statements may be made as a representative of the firm without prior authorization from the Partners.

Any employee who wishes to speak at a public event or submit an article for a publication in a trade magazine or other publication must obtain prior approval from the partners. While we recognize and support your right to engage in legal activities while you are not working, we also must be careful to (1) avoid the employee's position being mistaken for the position of the firm, (2) avoid an interpretation that the firm in any way endorses the employee's position, and (3) avoid a violation of any other policies of the firm, including those related to conflict of interest and confidentiality of firm property and information.

## **11. Waivers of the Code of Business Conduct and Ethics**

Any waiver of this Code for employees may be made only by the Partners and will be promptly disclosed as required by law or the Stock Exchange rules.

## **12. Reporting any Illegal or Unethical Behavior**

We all must work to ensure prompt and consistent action against violations of this Code. In some situations, however, it is difficult to know right from wrong. Since we cannot anticipate every situation that will arise, it is important that we have a way to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
  - Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will enable you to focus on the specific question you are faced with, and the alternatives you have. Use your judgment and common sense; if something seems unethical or improper,

it probably is.

- Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the issue and will appreciate being brought into the decision-making process. Remember that it is your supervisor's responsibility to help solve problems.
- Seek help from firm resources. In the rare case where it may not be appropriate to discuss an issue with your supervisor or where you do not feel comfortable approaching your supervisor with your question, discuss it with the partners
- You may report ethical violations in confidence and without fear of retaliation. The firm does not permit retaliation of any kind against employees for good faith reports of ethical violations.

## 19. POLICY FOR PRE-FUNDED INSTRUMENTS / ELECTRONIC FUND TRANSFERS

### Objective:

The objective of the policy is to prevent acceptance of third party funds and to prescribe process to deal with instruments issued by third party when received.

### Background:

SEBI vide circular no. SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003 has specified that the stock brokers can accept demand drafts from their clients. However, SEBI vide circular no. CIR/MIRSD/03/2011 dated June 9, 2011 and National Stock Exchange vide its circular no. NSE/INSP/18024 dated 09-Jun-11 has advised stock brokers to maintain an audit trail while receiving funds from the clients through Demand Draft (DD)/Pay Order (PO)/Bankers Cheque (BC) since such third party pre-paid instruments do not contain the details like name of the client, bank account number are not mentioned on such instruments. Non maintenance of audit trail may result in flow of third party funds or unidentified money which may result into breach of regulations issued under PMLA and SEBI circulars.

### Terms used in this policy:

1. **Prefunded Instruments** - Referred as Pay order, Demand Draft, banker's cheque etc.
2. **Electronic Fund Transfers** - Referred as transfer of funds using net banking

### Policy:

SEBI vide circular no. SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003 has specified that the stock brokers can accept demand drafts from their clients. However, in accordance with SEBI circular no. CIR/MIRSD/03/2011 dated June 9, 2011, the following needs to be complied:

1. A "Pre-paid instrument received register" with columns for date, name of the client, amount, instrument drawn on (bank name) and such other columns as found necessary shall be maintained. The register may be maintained either in a physical form or in electronic form.
2. Pre-paid instruments of the value of less than Rs 50,000 may be accepted from the client. Whenever such instruments are received, entry into 'Pre-paid instruments Received register shall be made.
3. If the pre-paid instrument is for value more than Rs 50,000 or If the aggregate value of prefunded instruments is Rs. 50,000/- or more, per day per client is presented for acceptance, such instrument or instruments may be accepted, only if the same is/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:
  - I. Certificate from the issuing bank or its letter head 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.
4. If a client submits pre-paid instruments at different times during the day, details and certificates as stated above may be collected along with the instrument with which the aggregate value of pre-paid instruments submitted exceeds Rs 50,000 for that date.
5. In case of any receipt of funds by way of Electronic fund transfer, an audit trail to ensure that funds are received from respective client only has to be maintained. Necessary details may be collected from banker at which the amount is received.
6. If the pre-paid instrument is received through post or any other method where client does not directly interface for submission of the instrument and the instrument does not contain the information as required above, the following action may be taken:
- Contact the client immediately and seek information. Not to bank the instrument until the information is given by the client.
  - If the pre-paid instrument is bank transfer, contact banker immediately for the details; not utilize the amount so credited until the details are received and not to give credit to the customer until banker gives the details/certification.
7. While giving credit to respective client's ledger, Head office needs to cross check / verify with documents that such instrument is received from respective clients.

**Approval Authority:**

This policy shall be approved by Board of Directors of K M Jain Stock Brokers Pvt Ltd

**Review Policy:**

This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs. The policy may be reviewed by our Designated Directors, who can place the changes in policy before the Board at the meeting first held after such changes are introduced.

**Policy communication:**

A copy of this policy shall be made available to all the relevant staff who are responsible for receipt of funds from clients and customer service executives.

***Disclaimer: From time to time this policy will be made more comprehensive based on our business requirements and this may not be treated as the full and final policy. Reference circulars of any other exchange might be added as and when required.***

## 20. NISM VII POLICY

### **K.M.Jain Stock Brokers Pvt Ltd**

Policies created by: Anand Jain

Policies reviewed by: Madhulika Jain

Policies reviewed on: 1st Jan 2025

Policies approved by: Board of Directors

Policies approved on: 1st Jan 2025

### **FOR NSE, BSE, MCX-SX**

### **POLICY ADOPTED FOR OFFICERS IN CRITICAL POSITIONS**

(Download Ref.No.: NSE/INSP/27495 Date : September 2, 2014 Circular Ref.No.: 198/2014)

### **NISM-Series-VII: Securities Operations and Risk Management Certification Examination**

As per the said guidelines mentioned in SEBI and Exchange's circulars , persons associated with a registered stock-broker/trading member/clearing member who are involved in, or deal with, any of the below mentioned functions are required to have a valid NISM Series VII Certification:

- (a) Assets or funds of investors or clients,
- (b) Redressal of investor grievances,
- (c) Internal control or risk management, and
- (d) Activities having a bearing on operational risk,

In view of the operational difficulties expressed by the Members, in consultation with SEBI and other Exchanges it was decided by SEBI that requirement of passing of **NISM Series VII - Securities Operations and Risk Management Certification** exam would be optional for associated persons handling the basic clerical/elementary functions in the above stated areas and whose work is supervised by NISM Series VII -Securities Operations and Risk Management Certification certified personnel. The broad indicative activities that can be classified as basic elementary level/clerical level are enclosed as **Annexure-A**.

The adherence to the above shall be verified during the inspections and Internal Audits of the Members. Members are requested to take note of the above and ensure compliance by December 31, 2014

**As on 01.01.2025 the following officers/staff have cleared NISM VII test for the organization-**

- |                   |                                    |
|-------------------|------------------------------------|
| 1. Anand Jain     | certificate valid till 08 May 2025 |
| 2. Vikash Kuthari | certificate valid till 06 Jul 2025 |
| 3. Vishal Ambani  | certificate valid till 23 Jun 2026 |
| 4. Vinod Gujar    | certificate valid till 23 Jun 2026 |

### **ANNEXURE-A( forming part of Policy for NISM VII certificate**

### **Indicative activities falling under basic elementary level/clerical level**

#### **Internal control or risk management**

1. Inwarding of collateral's/cheques
2. Person performing maker entries
3. Maker entry in the database



4. Photocopying, printouts, scanning of documents
5. Preparing of MIS
6. Sending of letters/reports to clients, Exchanges, SEBI
7. Attending calls, etc.

#### Redressal of investor grievances

1. Inwarding of complaints,
2. Seeking documents from clients
3. Person performing maker entries
4. Maker entry in the database
5. Photocopying, printouts, scanning of documents
6. Preparing of MIS
7. Sending of letters/reports to clients, Exchanges, SEBI Updation, data entry, uploading on

#### **21. Policy regarding Conflict of Interest (Reference NSE notice # 29Aug 2013 24301)**

We at K M Jain Stock Brokers Pvt Ltd have apprised our staff as to what construes a conflict of interest in tandem with the Notices issued by Exchanges.

A “conflict of interest” exists when a person’s private interest interferes in any way with the interests of the firm. A conflict situation can arise when an employee, officer or partner takes actions or has interests that may make it difficult to perform firm work objectively and effectively. Conflicts of interest also may arise when

- (a) an employee, officer or partner, or family member, receives personal benefits from third parties as a result of his or her position in the firm. For example, loans or guarantees of obligations of loans to employees and their family members may create conflicts of interest.
- (b) It is almost always a conflict of interest for a firm employee to work simultaneously for a competitor, customer or supplier. You are not allowed to work for a competitor as a consultant or board member.
- (c) Any employee who wishes to perform consulting services of any kind must inform and obtain prior approval from the partners. In no event may an employee perform consulting services for a competitor. Additionally, outside consulting is viewed as a conflict of interest for salaried employees who are expected to devote their professional efforts solely to the firm. The best policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on our behalf.
- (d) Acceptance of gifts in a business relationship can also result in a conflict of interest. No gift or entertainment should ever be accepted by any firm employee, directly or indirectly through a family member or agent unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff and (5) does not violate any laws or regulations. Please discuss with your supervisor any gifts or proposed gifts that you are not certain are appropriate. Any gift given or received that is valued in excess of Rs.1000 must be reported to the Compliance Officer.

Conflicts of interest are prohibited as a matter of firm policy, except under guidelines approved by the board of directors. Conflict of interest may not always be clear-cut, so if the employees have a question, they should consult with higher levels of management. Any employee, officer or partner who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager or other appropriate personnel or consult the procedures described in Section 11 of this Code.

## 22. Policy on outsourcing of activities by Intermediaries

### Guidelines on Outsourcing of Activities:

Though our organization –“ K.M.Jain Stock Brokers Private Limited” is at present, not outsourcing any major intermediary activity, none the less we have formulated the policy keeping in mind the future needs of the organization within the guidelines set by SEBI and Exchanges.

Hence, in case of any outsourcing activity by our organization then we would keep in mind the following points while appointing a third party to overlook the functioning of the desired activity:

1. We will ensure high standards of service and exercise due diligence and ensure proper care in their operations.
2. We would outsource with a view to reduce cost substantially or for strategic reasons.
3. We would bear in mind that outsourcing activity through a third party may pose the following risks: operational risk, reputational risk, legal risk, country risk, strategic risk, exit-strategy risk, counter party risk, concentration and systemic risk. Such risks need to be mitigated to maximum possible extent.
4. We will follow the principles for outsourcing as laid down by SEBI in their Annexure I.
5. However the following activities shall not be outsourced- core business activities and compliance functions. A few examples of core business activities may be – execution of orders and monitoring of trading activities of clients in case of stock brokers; dematerialization of securities in case of depository participants; investment related activities in case of Mutual Funds and Portfolio Managers. Regarding Know Your Client (KYC) requirements, we shall comply with the provisions of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 and Guidelines issued there under from time to time.
6. Other Obligations that shall be incumbent upon us will be:
  - i. **Reporting To Financial Intelligence Unit (FIU)** - The intermediaries shall be responsible for reporting of any suspicious transactions / reports to FIU or any other competent authority in respect of activities carried out by the third parties.
  - ii. **Need for Self Assessment of existing Outsourcing Arrangements** – In view of the changing business activities and complexities of various financial products, intermediaries shall conduct a self assessment of their existing outsourcing arrangements within a time bound plan, not later than six months from the date of issuance of this circular and bring them in line with the requirements of the guidelines/principles.
7. **Reliance on third party for carrying out Client Due Diligence (CDD)**
  - i. We may rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.
  - ii. Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, we shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

## 23. Policy – Prevention of Business Disruption due to Technical Glitches

### **POLICY ON PREVENTION OF BUSINESS DISRUPTION DUE TO TECHNICAL GLITCHES**

*Download Ref No: NSE/COMP/50610 Date: December 15, 2021 Circular Ref. No: 108/2021*

**ADOPTED BY K M Jain Stock Brokers Pvt Ltd as on 22.12.2021**

**K.M.Jain Stock Brokers Pvt Ltd**

Policies created by: Anand Jain

Policies reviewed by: Madhulika Jain

Policies reviewed on: 1st Jan 2025

Policies approved by: Board of Directors

Policies approved on: 1st Jan 2025

#### **Guidelines for prevention of Business Disruption due to technical glitches & Standard Operating Procedures (SOP) to be adopted by K M Jain Stock Brokers Pvt Ltd upon incident of Technical Glitches.**

I. Objective The objective of this guideline is to outline the technology infrastructure and system requirements that we as a member should put in place to prevent any incident of business disruption resulting from technical glitches. These guidelines also prescribe the Standard Operating Procedures (SOP) for reporting of technical glitches by staff of KMJPL (K M Jain Stock Brokers Pvt Ltd), handling business disruption, management of such business disruption, including declaration of disaster and framing of provisions for disciplinary action in case of non-compliance in reporting/inadequate management of business disruption.

II. Definition a) “Technical Glitch” shall mean any malfunction of the systems including malfunction in its hardware or software or any products/services provided by KMJPL, whether on account of any inadequacy or non-availability of infrastructure/ network/ other systems or otherwise, which may lead to business disruption. b) “Business Disruption” shall mean either stoppage or variance in the normal functions /operations of systems of KMJPL, due to a technical glitch, w.r.t login, order placement (including modification & cancellation), order execution, order confirmation, order status, margin updates, risk management, for a continuous period of more than 15 minutes in any segment of the Exchange. National Stock Exchange of India Circular Page 3 of 11

III. Preventive Measures a) We, as a Member should have robust systems and technical infrastructure in place in order to provide essential facilities, perform systemically critical functions relating to securities market and provide seamless service to their clients. b) Exchange and SEBI have, from time to time, prescribed various guidelines and advisory to Members to build resiliency/redundancy in their systems to ensure continuity of services to their clients. Further, Exchange also provides various redundancy options to the Members for connectivity, enabling them to create network resilience, which the Members have been advised to deploy to ensure continuity of their business operations. Members are required to ensure due compliance to the same. c) Further, KMJPL shall be required to comply with the system requirements prescribed under the Stockbroker System Audit Framework as well as the framework for Cyber Security & Cyber Resilience prescribed by SEBI vide its Circular CIR/MRD/DMS/34/2013 dated November 06, 2013, and SEBI/HO/MIRSD/CIR/PB/2018/147 dated Dec 03, 2018, respectively and any other circulars/regulations & guidelines issued by SEBI/Exchange in this regard from time to time. d) Additionally, KMJPL will ensure the following: i. System Controls & Network Integrity 1. Sufficient level of redundancy should be deployed and available at primary site for all critical systems including network and data center infrastructure. National Stock Exchange of India

Circular Page 4 of 11 2. As a member, we shall implement and deploy suitable monitoring tools to monitor the data traffic within our organization network and to & from the organization network. ii. Backup and Recovery 1. The response and recovery plan of KMJPL should have plans for the timely restoration of systems affected by incidents of technical glitch. 2. KMJPL should, based in their internal policy, define the Recovery Time Objective (RTO) i.e., the maximum time taken to restore the operations, and the Recovery Point Objective (RPO) i.e., the maximum tolerable period for which data might be lost, for each of their business processes/services. The same should also be informed to the clients by the Members.

IV. Business Continuity Planning (BCP)/Disaster Recovery (DR) In order to ensure that there is continuity of business and stability in operations of KMJPL in case of any technical glitches, so that interest of investors and market at large is not adversely impacted. KMJPL should have an established Business Continuity/DR set up to ensure that there is well defined continuity plan in case of such Business Disruptions. 1. KMJPL shall have a well-documented BCP/ DR policy and plan which will cover the following: a. Identification of all critical operations of the Member and also include the process of informing clients in case of any disruptions. While putting in place the BCP/DR National Stock Exchange of India Circular Page 5 of 11 plan, KMJPL will sufficiently review all potential risks along with its impact on the business. b. Declaration of incident as a “Disaster” viz. timelines etc. and restoration of operations from DR Site upon declaration of ‘Disaster’. 2. KMJPL should have distinct primary and disaster recovery sites (DRS) for technology infrastructure, workspace for people and operational processes. The DRS should be set up sufficiently away (not less than 250 km), from Primary Data Centre (PDC) to ensure that both DRS and PDC are not affected by the same disasters. 3. The declaration of disaster shall be reported in the preliminary report submitted to the Exchange, as specified on section V below. 4. Members should have alternate means of communication including channel for communication for communicating with the clients in case of any disruption. Such communication should be completed within 30 minutes from the time of disruption. 5. Adequate resources (with appropriate training and experience) should be available at the DR Site to handle all operations during disasters. 6. DR drills should be conducted by the Member on a periodic basis not exceeding half yearly basis. Members who do not fall in the above category shall inform all their existing clients within a period of one month from the date of this SOP that they are not required to have a Business Continuity/DR plan under the existing regulatory provisions. Such member shall disclose this information upfront to their new clients at the time of onboarding. National Stock Exchange of India Circular Page 6 of 11

**Disaster Recovery Site / Business continuity office of K M Jain Stock Brokers Pvt Ltd**

**Address: 631, P J Towers, Dalal Street, Fort, Mumbai. 400001**

V. Reporting Requirements: KMJPL shall be required to report to the Exchange any technical glitches, resulting in Business Disruption. We shall report the same to the Exchange as under: 1. KMJPL should intimate the Exchange about the incident within 2 hours from the start of the glitch. 2. A preliminary incident report shall be submitted to the Exchange within T+1 day of the incident (T being the date of the incident). The report shall include the date and time of the incident, the details of the incident, effect of the incident and the immediate action taken. 3. Root Cause Analysis (RCA) of the issue in the format as enclosed in Exhibit-I, to be submitted within 21 working days. The RCA must include details of the incident, time of occurrence and recovery, impact, summary as well as a detailed analysis of the cause of incident, immediate action taken and the long-term plan of action.

For the purpose of the aforementioned reporting, a common dedicated email Id, across all Exchanges, is being provided:

[infotechglitch@nse.co.in](mailto:infotechglitch@nse.co.in).

**Online Reporting of Technical Glitch Incidents**

Ref circular # NSE/COMP/54876 dated December 16, 2022.

Technical Glitch incidents can also be reported to Exchange via ENIT portal w.e.f. April 1, 2024.

Procedure:

New ENIT > Compliance > Technical Glitches > Technical Glitches Submission.

It may be noted that we also need to report the incidents on the dedicated email address common across all Exchanges: [infotechglitch@nse.co](mailto:infotechglitch@nse.co).

The user manual for submitting the application through online portal is attached as Annexure A in the above notice.

For assistance, please contact the helpdesk at 1800 266 0050 (Select IVR option 3) or email [memcompliance\\_support@nse.co.in](mailto:memcompliance_support@nse.co.in)

KMJPL shall make the above reporting on the said email ID only. The above reporting requirements shall be applicable to all Members providing internet and wireless technology-based trading facility to their clients. Notwithstanding the above, in case of technical glitches caused by a cyber-security incident, all Members shall also additionally follow the SOP for handling Cyber Security incidents issued vide NSE circular ref. no. NSE/INSP/48163 dated May 03, 2021. National Stock Exchange of India Circular Page 7 of 11 All cases of technical glitches shall be examined by the concerned Exchanges jointly along with the report/RCA submitted by the Member and appropriate action may be taken including suggestion of suitable recommendations for implementation.

VI. Internal Policy and Documentation -All Members, providing internet and wireless technology-based trading facility to their clients shall put in place an Internal policy to handle technical glitches resulting in Business Disruption. Such policy shall: - 1. Outline the key systems/departments handling the normal function /operation of the Member and assign responsibilities at business owner and technology owner level. 2. Lay down the processes/steps to be adopted in case of technical glitches along with the timelines and communication with concerned stakeholders including clients. 3. Define the Escalation matrix including reporting of such incident to the Exchange. 4. The response and recovery plan of the Members for the timely restoration of systems affected by technical glitch including the Recovery Time Objective (RTO) and the Recovery Point Objective (RPO). 5. Process of handling client complaints. Refer Such policy shall be approved by Board of the Member (in case of corporate trading member), Partners (in case of partnership firms) or Proprietor (in case of sole proprietorship firm) as the case may be and shall be reviewed annually by the "Internal Technology Committee" as constituted under SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated December 03, 2018 for review of Security and Cyber Resilience policy or any other appropriate committee in the event that the committee constitution is different for cyber security related issues. National Stock Exchange of India Circular Page 8 of 11 A quarterly MIS shall be put up to the Board, Partners, Proprietor, as the case may be, on incident reported, the corrective actions taken and the future plan of action. Reasons for delay in deployment of the corrective measures shall also be discussed along with the action to be taken. Members shall also constitute a Crisis Management Team (CMT) involving senior officials or management personnel of the members including the MD/CEO and heads of business, CIO/CTO, CISO, etc. The CMT shall be responsible to assess the incident, oversee the implementation of the corrective and preventive actions and ensure the implementation of the aforementioned procedures. The CMT shall also designate a "Designated Officer" who shall be responsible for ensuring compliance to the aforementioned reporting requirements. The Designated officer can be same as that designated by the Member in accordance with SEBI circular SEBI/HO/MIRSD/CIR/PB/2018/147 dated Dec 03, 2018.

VII. Frequency of monitoring & implementation

The aforementioned requirements shall be implemented as per the below timelines: - S.No.

## Requirements Timeline for implementation

- |  |   |
|--|---|
| 1. Business Continuity Planning (BCP) / Disaster Recovery (DR)   | All Members shall, on a quarterly basis, check their eligibility viz. their number of registered clients with respect to setting up the Business Continuity Planning (BCP)/Disaster Recovery (DR) and implement the same as per the below timeline:<br><br>a) Members having 50000 unique registered clients (across all segments/Exchanges) as on the date of this circular- Within 12 calendar months from the date of this circular. National Stock Exchange of India Circular Page 9 of 11<br><br>b) Other Members - Within 12 calendar months from the end of respective quarter in which the Member becomes eligible as per section IV. |
| 2. Reporting of incident to Exchanges  | Immediate basis   |
| 3. Internal Policy for Technical Glitch  | 31st March 2022   |
| 4. Preventive Recovery (Para III (a) & III (b) - System Control, Network Integrity, Backup & Recovery) | 31st March 2022   |

VIII. Failure to report the incident to the Exchange (non-submission of preliminary report and/or RCA), failure to move to DR and failure to take remedial measures

1. Delay in Reporting Member will be liable to pay a monetary fine of Rs. 20,000/- for each working day after the due date specified as above for each of the reporting as mentioned in section V above.
2. Repeat Violation In case of repeated instances of non-compliance on 2 or more occasions, appropriate disciplinary action shall be initiated, after following due process and providing opportunity of a hearing. National Stock Exchange of India Circular Page 10 of 11
3. Failure to move to DR site within the timeline timely address specified by the Exchanges/SEBI In the event that Members fail to move to DR site within the time specified, appropriate disciplinary action shall be initiated by the Exchange, after following due process and providing opportunity of hearing.
4. Failure to timely address technical glitch In the event that Members do not address the technical glitch within the timeline specified by the Exchanges, appropriate disciplinary action shall be initiated by the Exchange, after following due process and providing opportunity of hearing.

IX. Periodic Audit The Terms of Reference for the System Audit of Members, specified vide circular no. CIR/MRD/DMS/34/2013 dated November 06, 2013, shall be modified to include Auditor's comment on the implementation of the aforementioned guidelines and any ongoing compliance requirements.

### Prevention of incidents of Technical Glitches:

To ensure non-occurrence of technical glitches at our office, following preventive measures are being considered as advised by exchanges:

1 Capacity Planning:

- i. Increasing number of investors may create an additional burden on the trading system of Members and hence, adequate capacity planning is a prerequisite for Members to provide continuity of services to their clients.
- ii. Members shall do capacity planning for the 'Critical Systems' infrastructure including server capacities, network availability, bandwidth, and the serving capacity of trading applications.
- iii. Capacity planning shall be done based on the rate of growth in the number of transactions observed in the past 2 years. This data should be extrapolated to predict the capacity required for the next 3 years.
- iv. The capacity planning by Members should be done every year to review the available capacity, peak capacity, and new capacity required to tackle future load on the system. The purpose shall include all 'Critical Systems' operated in-house or through a Vendor/Application service provider (ASP).
- v. Members shall monitor peak load in their 'Critical Systems' including the trading applications, servers, and network architecture. The Peak load shall be determined based on the highest peak load observed by the Members during a calendar quarter. The installed capacity shall be at least 1.5 times (1.5x) of the observed peak load.
- vi. Members shall deploy adequate monitoring mechanisms within their networks and systems to get timely alerts on the current utilization of capacity going beyond the permissible limit of 70% of its installed capacity. In case the actual capacity utilization nears 70% of the installed capacity, immediate action shall be taken to avoid a breach of capacity.
- vii. Adequate capacity planning and its review should be part of the annual system audit of the Members.
- viii. Additionally, to ensure the continuity of services at the primary data center, 'Specified Members' shall strive to achieve full redundancy in their IT systems that are related to the 'Critical Systems'.

## 2. Software testing and change management:

- i. Software applications are prone to updates/changes and hence, it is imperative for the Members to ensure that all software changes that are taking place in their applications are rigorously tested before they are used in production systems. Software changes could impact the functioning of the software if adequate testing is not carried out. In view of this, Members shall adopt the following framework for carrying out software-related changes/testing in their systems.
- ii. Members shall create test-driven environments for all types of software developed by them or their vendors.
- iii. Members, during all relevant phases of software development and operations are required to write exhaustive unit test cases and functional test cases covering all positive & negative scenarios, regression testing, security testing, and non-functional testing including performance testing, stress testing, load testing, etc.
- iv. Further, Members shall prepare and maintain a traceability matrix between functionalities and test cases for all 'Critical Systems'.
- v. A Minimum number of unit test cases required for every change made in the software should be defined in advance, based on its functionality, and ensure sufficient test coverage around instructions count, branches, and complexities. This would include base cases for the overall platform, plus specific sets of cases for each module under consideration.
- vi. In addition to the above, 'Specified Members' shall perform software testing in 'automated environments'. The 'automated environments' shall be mandatorily set up by 'Specified Members' before June 30, 2023.
- vii. To ensure system integrity and stability, all changes to the installed system shall be planned, evaluated for risk, tested, approved, and documented. Members shall implement a change management process to avoid any risk arising due to unplanned and unauthorized changes for all its information security assets (hardware, software, network, etc.).
- viii. Change management process shall be well documented and approved by the Governing Board of

the Member.

ix. The Exchange has provisioned test environments and conducts periodic mocks for Members to test their systems. Members are required to participate in such environments, each time their systems have gone through changes before such changes are made live.

x. Members shall have a documented process/procedure for the timely deployment of patches for mitigating all identified vulnerabilities. The patch management process shall also be approved by the Governing Board of Members.

xi. Members shall periodically update all their assets including Servers, OS, databases, middleware, network devices, firewalls, IDS /IPS desktops, etc. with the latest applicable versions and patches.

xii. Review of Adequate Change Management and Patch Management processes should be part of the system audit of the Members. As a part of the mandated annual System Audit, the System Auditor shall also provide its comments and observations on the said processes, if any.

### 3. Monitoring mechanism - Applicable to 'Specified Members'

i. Proactively and independently monitoring technical glitches shall be one of the approaches in mitigating the impact of such glitches. In this context, the 'Specified Members' shall build API-based Logging and Monitoring Mechanism (LAMA) to allow stock exchanges to monitor the 'Key Parameters' of the 'Critical Systems'. Under this mechanism, 'Specified Members' shall monitor key systems & functional parameters to ensure that their trading systems function in a smooth manner. Stock exchanges will, through the API gateway, independently monitor these key parameters in real-time to gauge the health of the 'Critical Systems' of the 'Specified Members'.

ii. Through the 'LAMA' Gateway, values of the 'Key Parameters' listed below should be served by the 'Specified Members'.

Key Parameters for 'LAMA'		
Application	System	Network
1. Log monitoring	1. CPU Utilization	1. Packet Error Counts
2. Requests/Second	2. Memory Utilization	2. Bandwidth Utilization
3. Average response times	3. Disk utilization	3. DNS failures
4. Trading trend analysis-related data	4. Database replication and its Health	
5. Trading API failure counts	5. Uptime	
6. Network Latency		

iii. The 'Specified Members' and the Exchange will preserve the logs of the key parameters for a period of 30 days in the normal course. However, if a technical glitch takes place, the data related to the glitch shall be maintained for a period of 2 years. 'Specified Members' will be notified by the Stock Exchanges, for onward discussion on the implementation and applicability of 'LAMA' and its key parameters.

### 4. Business Continuity Planning (BCP) and Disaster Recovery Site (DRS):

i. 'Specified Members' and Members with a minimum client base of 50,000 clients across all Exchanges, are to mandatorily establish a 'Business Continuity'/'Disaster Recovery setup'.

ii. Members shall put in place a comprehensive BCP-DR policy document outlining standard operating procedures to be followed in the event of any 'Disaster'.

iii. 'Disaster' may be defined as scenarios where:

a. A 45-minute disruption of any of the 'Critical Systems', or

b. Any additional criteria specified by the Governing Board of the Member.



- iv. The DRS shall preferably be set up in different seismic zones. In case, due to any reasons like operational constraints, such a geographic separation is not possible, then the Primary Data Centre (PDC) and DRS shall be separated from each other by a distance of at least 250 kilometers to ensure that both do not get affected by the same natural disaster. The DR site shall be made accessible from the primary data center to ensure syncing of data across two sites.
- v. 'Specified Members' shall conduct DR drills/live trading from the DR site on half yearly basis. DR drills/ live trading shall include running all operations from DRS for at least 1 full trading day.
- vi. Members shall constitute responsible teams for taking decisions about shifting of operations from primary site to DR site, putting adequate resources at DR site, and setting up mechanism to make DR site operational from primary data center etc.
- vii. Hardware, system software, application environment, network and security devices, and associated application environments of DRS and PDC shall have a one-to-one correspondence between them. Adequate resources shall be always made available to handle operations at PDC or DRS.
- viii. The Recovery Time Objective (RTO) i.e., the maximum time taken to restore operations of 'Critical Systems' from DRS after the declaration of 'Disaster' shall be 2 Hours and, Recovery Point Objective (RPO) i.e., the maximum tolerable period for which data might be lost due to a major incident shall be 15 Minutes.
- ix. Replication architecture, bandwidth, and load consideration between the DRS and PDC shall be within the stipulated RTO and the whole system shall ensure high availability, right-sizing, and no single point of failure. Any updates made at the PDC shall be reflected at DRS immediately.
- x. The BCP-DR policy document shall be reviewed at least once a year to minimize incidents affecting business continuity. Additionally, an Adhoc review of the BCP-DR policy shall also be conducted in case of any major changes in 'Critical Systems' and if any technical glitch is encountered. The BCP-DR policy document of the Members should be approved by Governing Board of the Members.
- xi. The Governing Board of the Members shall review the implementation of BCP-DR policy approved by the Governing board of the Members on a Quarterly basis. Further, Members shall conduct periodic training programs to enhance the preparedness and awareness level among its employees and outsourced staff, vendors, etc. to perform as per BCP policy.
- xii. The System Auditor, while covering the BCP – DR as a part of mandated annual System Audit, shall check the preparedness of the Member to shift its operations from PDC to DRS and comment on documented results and observations on DR drills conducted by the Members.
- xiii. The 'Specified Members' shall constitute an Incident and Response Team (IRT) / Crisis Management Team (CMT), which shall be chaired by the Managing Director (MD) of the Member or by the Chief Technology Officer (CTO), in case of non-availability of MD. IRT/CMT shall be responsible for the actual declaration of disaster, invoking the BCP and shifting of operations from PDC to DRS whenever required. Details of roles, responsibilities, and actions to be performed by employees, IRT/ CMT and support/outsourced staff in the event of any Disaster shall be defined and documented by the Members as part of BCP-DR Policy Document.
- xiv. In addition to the above, 'Specified Members' shall obtain ISO27001 (Information Security) certification within the 2 years, from April 1, 2023. Additionally, ISO20000 (IT Service Management) and ISO22301 (Business Continuity Management System) are recommended to be adhered to. All Policies procedures and processes must be based on these international Standards.\

**Financial Disincentives and Penalty Structure**

**ANNEXURE C**

Sr. No.	Instances of technical glitches	Financial disincentives	
		Specified Members	All other Members
1.	<b>Technical Glitch continuing for <u>more than 15 minutes</u>:</b>		
	<b>First instance</b>	Observation Letter	Observation Letter
	<b>Second instance</b>	Administrative warning	Administrative warning
	<b>Third instance onwards</b>	<p>For every instance Rs. 50,000/-</p> <p>It will progressively increase by Rs.25,000/- for subsequent instances.</p> <p>Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.</p>	<p>For every instance Rs. 20,000/-</p> <p>It will progressively increase by Rs.5,000/- for subsequent instances.</p> <p>Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.</p>
2.	<p><b>More than 5 Technical Glitch Incidents during the financial year.</b></p> <p><b>(Incidents lasting more than 15 minutes)</b></p>	<p>In addition to the penalty already levied as per the above provisions, no on-boarding of new clients till stock exchange analyses RCA and satisfies itself about corrective measures taken or, 15 days from glitch whichever is higher.</p> <p>Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance</p>	<p>The relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on the disciplinary actions.</p>

		shall decide on additional disciplinary actions.	
3.	<b>Failure to restore operations by moving to DR site within Recovery Time Objective.</b>	Rs.2 lac	Rs. 20,000/-
4.	<b>Failure to inform Exchange about the incident/glitch within 1 hour</b>	Rs.50,000/-, plus Rs. 25,000/- per day till failure continues.	Rs. 20,000/-, plus Rs. 5,000/- per day till failure continues.
5.	<b>Failure to submit the preliminary incident report to the Exchange by T+1 day</b>	Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.	Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.
6.	<b>Failure to timely submit RCA within 14 days</b>	Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.	Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.
7.	<b>Failure to conduct DR drill/live trading from DR site as per the provisions</b>	Rs. 2 lac, plus Rs. 1 lac for every month during which failure continues.  Additionally, the relevant authority of the Exchange on a case-to-case basis and based on the gravity of non-compliance shall decide on additional disciplinary actions.	NA

#### **Addendum to Framework to address the ‘technical glitches’ in Member’s Electronic Trading Systems**

Member’s attention is drawn to the Exchange circular NSE/COMP/54876 dated December 16, 2022, on Framework to address the ‘technical glitches’ in Member’s Electronic Trading Systems.

As per the circular, RCA reports for all technical glitch incidents greater than 45 minutes shall also be verified by an independent auditor appointed by the Member.

Trading Members are required to submit Root Cause Analysis (RCA) Report of the technical glitch to the Exchange, within 14 days from the date of the incident. Furthermore, in the case of technical glitch incidents lasting more than 45 minutes, an independent auditor’s report on the RCA shall be submitted within 45 days of the incident.

## 24. Policy for Referral Incentive Schemes

(Compliance | NSE | 26/12/2019 |

Our organization has not formulated any referral incentive schemes for our existing or prospective clients. We “ K.M.Jain Stock Brokers Private Limited” do not encourage business generation through referred clients, through existing UCC clients, none the less we have formulated the policy keeping in mind the future needs of the organization within the guidelines set by SEBI and Exchanges.

With a view to safeguard the interest of the investors, the following guidelines have been issued by exchanges. Members shall frame an internal policy w.r.t. quantum/maximum limit on the incentive to be provided to the referring person in line with the aforementioned guidelines. Such policy shall be duly approved by its Board in case of corporate trading member. Members shall take adequate steps to review and monitor the adherence to the said policy on a regular basis, at such intervals not later than one year. Any existing schemes which are not in compliance with the aforesaid guidelines, should be withdrawn immediately or suitably modified immediately to comply with the aforesaid guidelines

The rate of the incentive should be flat (i.e. not slab based) and a single rate should be applied across all persons referring the clients.

The referred client shall not be subjected to any kind of trade inducement by the referring person and it shall be ensured that all instructions for placement of orders are obtained from the respective clients only.

The referring person cannot conduct IPV/OSV Member shall be directly and wholly liable in case of any dispute w.r.t. referral program/incentive scheme or calculation of referral income between broker-referred/ referring person. Such disputes/grievances will not be covered under investor protection or grievance redressal measures of the Exchange.

### ***Policy & Terms & Conditions for Referral Incentive Scheme Policy of K M Jain Stock Brokers Pvt Ltd***

Till date our organization has not encouraged any such referral policy except for inducting clients through registered APs (Associate Persons) and Remisier as per preconceived terms and conditions. Nevertheless, due to competitiveness and ever changing style of evolving Broking business we have decided to formulate a policy for our organization, keeping in mind future scope and needs:

1. All clients of K M Jain Stock brokers Pvt Ltd shall be eligible to receive an incentive for referring friends/family and prospective clients at K M Jain Stock Brokers Pvt Ltd provided they meet all the conditions enumerated below.
2. We would share 10% of all brokerage generated from referred clients with the introducer client, only till such time K M Jain Stock Brokers Pvt Ltd continues to carry on this Referral Incentive Scheme.
3. All such referred clients must complete their account opening process & have their trading and demat account activated within 30 days of being referred.
4. Referred clients from one Client ID will not be transferred to another Client ID.
5. Withdrawal request for any such incentives shall be entertained only after the referred client has generated a brokerage amount of Rs. 1,000 (One Thousand Rupees).
6. Sharing of brokerage will be subjected to all statutory/government taxes and charges applicable at that time. This may include TDS deductions.
7. All eligible amounts available for withdrawal will be deposited towards the client's linked bank account which is in his/her own name and not in any other person's name.
8. Only income generated as trading brokerage will be shared and shall not include any other form of

income or charges, charged by the broker.

***Only for the client referring another client (not forming part of the main Policy)***

I/We, having a trading account with **K M Jain Stock Brokers Pvt Ltd** hereby agree to and declare the below points with respect to accepting any payment/incentives from **K M Jain Stock Brokers Pvt Ltd**, with respect to any referral bonus or marketing fee or incentives from **K M Jain Stock Brokers Pvt Ltd**:

- I/We am/are not forbidden to do any business under the Rules, Bye-Laws and Regulations of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), and or any Recognized Stock Exchange as defined by SEBI;
- I/We have read and understood all the terms, conditions, clauses of the NSE, BSE, and MCX with respect to the “Byelaws” of all the Exchanges, “incentives/referral schemes” rules, and rules with respect to marketing and incentives. I/We understand that by receiving referral incentives from **K M Jain Stock Brokers Pvt Ltd**, I/We and **K M Jain Stock Brokers Pvt Ltd** are both bound by the rules of the Exchanges;
- I/We have read NSE Circular NSE/INSP/43029 dated December 26, 2019, and have clearly understood all the terms of the circular. Any dispute/grievance under this scheme cannot be referred to the Investor Grievance Panel at NSE and will be resolved between me and **K M Jain Stock Brokers Pvt Ltd** as stated in the abovementioned NSE Circular, and any such dispute should not be made public;
- I/We are accepting this incentive from **K M Jain Stock Brokers Pvt Ltd** only for the referral of new clients/persons, and have not carried out any other activities, such as any financial advisory, inducing persons to use or trade/transact with **K M Jain Stock Brokers Pvt Ltd**, providing stock tips, managing portfolios etc;
- I/We acknowledge that details of clients referred to by me/us, such as; contract notes, daily margin statement, statement of accounts, will not be sent to me/us from **K M Jain Stock Brokers Pvt Ltd** without the consent of the referred clients;
- I/We have not, since being eligible to receive any payment/payout from **K M Jain Stock Brokers Pvt Ltd**, entered into any contracts or published any marketing material/advertisement acting as **K M Jain Stock Brokers Pvt Ltd** or act as a referral agent of **K M Jain Stock Brokers Pvt Ltd** without the explicit written permission of **K M Jain Stock Brokers Pvt Ltd**. I/We understand that publishing any marketing or advertisement material requires permission/intimation towards the Exchanges. I/We will not & have not publish/'ed any marketing material without the explicit permission of **K M Jain Stock Brokers Pvt Ltd**;
- I/We have/will not post the affiliate link of my referral code on public forums without any context, and spam any such groups/platforms/pages on social media;
- I/We hereby declare that, since being eligible to receive any incentives from **K M Jain Stock Brokers Pvt Ltd**, I/We are not an employee/referral partner/Introducer/Authorized Person/Sub broker of any other Trading Member (apart from **K M Jain Stock Brokers Pvt Ltd**) of any of the Exchanges. I/We also hereby declare that we are not a Trading Member on any of the Exchanges; and
- I/We are not an employee of **K M Jain Stock Brokers Pvt Ltd** or any associate/group entity of **K M Jain Stock Brokers Pvt Ltd**, and I/We are not a relative of an employee of **K M Jain Stock Brokers Pvt Ltd**

- I/We hereby declare that the above information are true and correct, and if any information is found to be false and incorrect, **K M Jain Stock Brokers Pvt Ltd** will have the right to recover the entire amount received by me/us through whatever means **K M Jain Stock Brokers Pvt Ltd** deems proper.
- I/We agree to indemnify **K M Jain Stock Brokers Pvt Ltd** and its Directors/agents/employees for any damages/claims that may arise from me/us deviating from the Rules/Bye-Laws of the Exchanges, and any terms, conditions, Policies & Procedures of **K M Jain Stock Brokers Pvt Ltd**
- I/We hereby declare that I/We have read, understood and agree to abide by this Policy, K M Jain Stock Brokers Pvt Ltd 's terms & conditions, privacy policy and policies & procedures on K M Jain Stock Brokers Pvt Ltd 's websites.
- I/We hereby understand this policy, along with these terms & conditions with respect to all incentives from K M Jain Stock Brokers Pvt Ltd, regarding referrals towards K M Jain Stock Brokers Pvt Ltd may be changed from time to time by **K M Jain Stock Brokers Pvt Ltd**, at the sole discretion of K M Jain Stock Brokers Pvt Ltd; or by the Exchanges. Therefore, at all times, I/We shall abide by the change in such Policies and Procedures of K M Jain Stock Brokers Pvt Ltd & Exchanges without any objections in the future.
- I/We hereby understand that K M Jain Stock Brokers Pvt Ltd's management reserves all rights to withhold any such incentives to any such referrer, at its sole discretion, for any reason whatsoever.

## 25. Policy - Use of facsimile/scanned signatures on Contract Note

NSE circular Ref. No. NSE/INSP/32524 dated June 06, 2016, BSE notice 20160607-4 dated 7th Jun, 2016 and MCX SX circular Ref: MSEI/INSP/4281/2016 dated June 21, 2016 regarding policy implementation in relation to "use of facsimile/scanned signatures" on Contract Note.

We at K M Jain Stock Brokers Pvt Ltd are not using facsimile signature on contract notes and/or other documents being sent to our clients.

Our organization uses digital signature for sending all the contract notes and bills. Actual authorized person's signature is taken in case of physical contract notes issued, if any.

The policy shall be amended from time to time under the directions of SEBI and Exchanges.

## **26: Policy on Handling of Good Till Cancelled Orders offered by Members to Clients**

With Reference to NSE Exchange circular no. NSE/INSP/62528 dated June 21, 2024 and NSE/INSP/63789 dated September 06, 2024 and BSE Exchange Notice no. 20240622-2 dated June 22, 2024 and 20240906-42 dated September 06, 2024 regarding policy on Handling of Good Till Cancelled Orders offered by Members to Clients.

We at K M Jain Stock brokers Pvt Ltd do not offer GTC- Good Till Cancel / Good till triggered orders to our clients. Also, our front end trading systems are NEAT and BOLT, which do not have this inbuilt feature.

However, for the information of clients we would like to highlight the risks associated to 'Good till Cancel' feature:

In case of corporate actions, such orders could lead to absurd trades and investors are at risk of facing losses. So, for enablement of Good till Cancel feature, a broker shall be bound to provide timeline within which the member shall intimate their clients about details of upcoming corporate actions applicable for such unexecuted orders of clients, which shall not be later than one day prior to the ex-date of the corporate action.

## **27: Framework for Trading Members to provide the facility of voluntary freezing/blocking the online access of the trading account to their clients**

With Reference to SEBI Circular no. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024, NSE Circular No. NSE/INSP/61529 dated April 08, 2024 and BSE Notice No. 20240408-12 dated April 08, 2024 on "Framework for Trading Members to provide the facility of voluntary freezing/blocking the online access of the trading account to their clients."

We at K M Jain Stock brokers Pvt Ltd do not provide the facility of voluntary freezing/blocking the online access to our clients as our front end trading systems are NEAT and BOLT.