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1. CLIENT REGISTRATION PROCEDURE

Write up created by :Anand Jain

Write up reviewed by : Madhulika Jain

Write up approved by : Board of Directors

Write up last approved on: 01st January, 2025

Registration of a client entails careful scrutiny and verification of documents as per numerous rules and regulations in place. It should include the following-

Client registration and documentation/Anti Money Laundering Compliance:

Checks and balances in place for registration of constituents as per SEBI guidelines.-

- The KYC is the basic document for registration of a client.
- Duly filled KYC along with proof should be procured from clients as per their category.

Systems and procedures put in place by member for verification of PAN before opening account

- PAN to be mandatorily verified form IT site before opening of account
- Staff/employee should sign and write the date on which verification was done

Procedure followed by the member for informing UCC to the clients & uploading to the Exchange

- Every client should be informed about the allotted UCC across all segments as per the pre-drafted welcome letter to be given to the client
- Client should be intimated about the various contact points of all departments of the organization viz. dealing desk, Accounts, back office Billing, Compliance and Depository services
- The details of the clients should be uploaded in the exchange site as per procedure in place - (BSE\NSE/MCX-SX)

Mechanism to ensure financial details of clients

- IT Acknowledgement copy should be procured from all the clients
- Bank statement and DP holding statements are other documents that can reveal the financial health of a client
- Corporates should be asked to submit Audited Balance Sheet and Profit & Loss account

Procedure adopted for in person verification of clients

- In person verification should be done by Compliance officer of the office/Branch/ AP office/Sub-broker office
- For individuals -actual physical verification should be done by comparing the original documents with the copies submitted by the client

- For HUF- actual physical verification of Karta should be done by comparing the original documents with the copies submitted by the client,. Letter of authority to be procured from HUF.
- For partnership firms - actual physical verification of minimum two partners should be done by comparing the original documents with the copies submitted by the client. Letter of authority to be procured from partnership firm.
- For Corporates - actual physical verification of minimum two directors should be done by comparing the original documents with the copies submitted by the client. Board resolution to this effect also to be procured.
- For NRIs- physical verification can be done through online recorded conference chat or in his presence in India. Documents to be attested by the Indian consulate of their respective country. (FOR Foreign based clients/FPIs refer FAQ given below)

Procedure adopted by relationship managers, if any, for procuring new clients

- The company doesn't have a demarcated marketing department
- Management are mainly responsible in procuring new clients
- Walk-in-clients can be entertained by compliance department after through scrutiny and physical verification procedures laid down by exchange and SEBI

Storage of client registration documents and retrieval mechanism

- All active KYC documents are to be stored in company's corporate office at 1306, Marathon Icon, off GanpatraoKadamMarg, Lower Parel-W, Mumbai. 400013.
- All old and dormant KYC documents are to be stored at company's godown or office at 631, P J Towers, Dalal Street, Mumbai. 400001
- All KYCs to be systematically stacked as per their numbering in ascending order
- All UCC numbers to be periodically matched with the back office list.

Procedure adopted for obtaining clients' consent for electronic contract notes

- Client's explicit consent should be obtained in the KYC document while opening of account

Periodic review of client related information and updation of the same in system

- Client KYC document should be updated every year
- Compliance department should be responsible for updation and additions to the existing KYC document

Acquaintance procedure for new clients

- Acquaintance procedure may involve a combination of one or more methods. To begin with, physical verification of documents is required. If the client is of the same town/city then a physical verification of the address should be done from the address submitted by the client.
- Other methods may involve procuring letter from certified authorities like CA, Banker or a Notary or an equivalent person of such a stature.

Customer acceptance policy and customer due diligence measures

- It is the prerogative of the management to decide whether to accept an entity as a client or not
- The management will in turn rely on compliance department for various verification procedure
- After conducting due diligence the client should be accepted and allotted UCC.

Processes for verification of alerts with KYC details

- Daily, Weekly and Monthly alerts should be verified by KYC of the client by compliance officer
- Any aberration or anomaly in style of working should be discussed with the management
- After establishing the facts, a letter of explanation should be procured from the client .
- Based on the facts and the letter of explanation procured by the compliance officer , the subject matter should be closed
- In case of adverse findings for the alert, the same should be reported to FIU, BSE/NSE and the client should be intimated about the same and asked to stop the trading . The client should be asked to resume trading only after the authorities absolve the matter.

Various rules and regulation for reference are given below:

Client registration and documentation circulars

	Particulars	References	Date
NSE	Dealings between a client and a stock broker	NSE/INSP/13606	03-Dec-2009
NSE	In-person' verification of Clients by Stock Brokers	NSE/INSP/13931	19-Jan-2010
SEBI	Display of Details by Stock Brokers (including Trading Members)	Cir/MIRSD/9/2010	04-Nov-2010
NSE	Dealings between a client and a stock broker	NSE/INSP/14048	03-Feb-2010
NSE	Master Circular on Anti Money Laundering Standards	NSE/INVG/16703	05-Jan-2011
NSE	SMS and E-mail alerts to investors	NSE/INVG/18503	02-Aug-2011
SEBI	Simplification and Rationalization of Trading Account Opening Process.	CIR/MIRSD/16/2011	22-Aug-2011
NSE	Clarification on Simplification and Rationalization of Trading Account Opening Process	NSE/INSP/18830	09-Sep-2011
NSE	SMS and E-mail alerts to investors	NSE/INVG/19135	14-Oct-2011
NSE	'In-person' verification (IPV) of clients by subsidiaries of stock Exchanges, acting as stock brokers	NSE/INSP/19243	25-Oct-2011

SEBI	KRA	MIRSD/Cir-23/2011	2-Dec-2011
SEBI	Guidelines in pursuance of the SEBI KYC Registration Agency (KRA) Regulations, 2011 and for In-Person Verification (IPV)	MIRSD/Cir-26/2011	23-Dec-2011
SEBI	Guidelines on Outsourcing of Activities by Intermediaries	CIR/MIRSD/24/2011	15-Dec-2011
NSE	Applicability of KYC & KRA Regulations	NSE/INSP/19949	03-Feb-2012
SEBI	Uploading of the existing clients' KYC details in the KYC Registration Agency (KRA) system by the intermediaries	MIRSD/ Cir-5 /2012	13-Apr-2012
SEBI	Aadhaar Letter as Proof of Address for Know Your Client (KYC) norms.	CIR/MIRSD/09/2012	13-Aug-2012
SEBI	Know Your Client Requirements	CIR/MIRSD/11/2012	05-Sep-2012
NSE	SMS and E-mail alerts to investors	NSE/INVG/21841	4-Oct-2012
SEBI	Rationalisation process for obtaining PAN by Investors	CIR/MIRSD/01/2013	04-Jan-2013
SEBI	Guidelines on Identification of Beneficial Ownership	CIR/MIRSD/2/2013	24-Jan- 2013
SEBI	Amendment to SEBI {(Know Your Client) Registration Agency} Regulations, 2011 and relevant circulars	CIR/MIRSD/4/2013	28-Mar-2013
SEBI	Know Your Client Requirements for Eligible Foreign Investors	CIR/MIRSD/07/2013	12-Sep- 2013
NSE	Updation of Mobile Number and E-mail IDs of the clients	NSE/INSP/27436	26-Aug-2014
NSE	Client Registration Documents In vernacular Languages	NSE/INSP/2016/327 59	08-July-2016
SEBI	Simplification of Account Opening Kit	CIR/MIRD/64/2016	12-July-2016
SEBI	Operationalisation of Central KYC Records Registry (CKYCR)	CIR/MIRSD/66/2016	21-July-2016

FREQUENTLY ASKED QUESTIONS ON KYC REQUIREMENTS FOR ELIGIBLE FOREIGN INVESTORS (EFIs) / FOREIGN PORTFOLIO INVESTORS (FPIs)

In consultation with the market participants, certain clarifications are being issued with respect to KYC requirements for EFIs/ FPIs as prescribed by SEBI vide circular no. CIR/MIRSD/07/2013 dated September 12, 2013. Intermediaries may rely on the below mentioned Guidance for KYC requirements with respect to EFIs / FPIs.

1. For the purpose of these FAQs -

- New EFIs / FPIs / new clients shall mean EFIs which have been registered with SEBI / Designated Depository Participants (DDPs) after September 12, 2013.
- Existing clients / existing EFIs shall mean all EFIs which were registered with SEBI / Qualified Depository Participants up to September 12, 2013.

2. KYC requirements for new client

- Intermediaries which on boards New EFI / FPI, is required to comply with the KYC requirements as prescribed by SEBI and upload the same on the KRA system.

3. KYC requirements for existing clients

- The existing EFIs applying for conversion as FPIs from June 1, 2014 (as provided in the SEBI (Foreign Portfolio Investors) Regulations, 2014) shall also update their KYCs, as required, at the time of submission of documents to the DDPs.
- Considering the initial phase of new FPI regime, the existing EFI clients applying for conversion as FPIs between June - December, 2014 shall update their KYCs latest by December 31, 2014. However, from January 1, 2015, all EFIs, coming up for conversion as FPI, must update their KYCs at the time of submission of documents to the DDPs.
- All such updated information in KYCs shall also be uploaded on the KRA system.
- In the event of non-submission of KYC documents, as stated above, no further transactions shall be permitted to such clients.
- The intermediaries shall develop their systems and procedures to implement the above in coordination with other intermediaries including the KRAs.

4. Documents that may be collected in lieu of Board Resolution

- In lieu of Board resolution provided by EFIs / FPIs for trading in securities market, the intermediary may rely on any of the following documents:

_ Power of Attorney granted to Global Custodian / Local Custodian
_ Prospectus/ Information Memorandum/ Offer Document/ Investment Management Agreement/ Regulatory Filings

5. Reliance on information available from reliable public sources

- In addition to information provided by the client, the intermediaries can rely on documents / information available from reliable public sources (for e.g. websites of Regulators, Exchanges, SROs, Registrars) while collecting documents /information required for an EFI / FPI. However, it shall be ensured that copies of such documents are sent to the EFI to revert in case of any changes /modifications. Attestation of these documents (by way of mentioning the source of the document and signature against the same) may be carried out by a duly authorized official of the Intermediary.

2. IDENTIFYING BENEFICIAL OWNER

(SEBI CIRCULAR # CIR/MIRSD/2/2013 January 24, 2013)

Write up created by : Anand Jain
Write up reviewed by : Compliance Head
Write up approved by : Board of Directors
Write up approved on : 01st January, 2025

The compliance department and in particular the KYC department should show Due Diligence and gather sufficient information from the clients in order to identify and verify the identity of persons who beneficially own or control the securities account. This should be in tandem with Know Your Client (KYC) requirements for the securities markets vide circular nos. CIR/MIRSD/16/2011 dated August 22, 2011 and MIRSD/SE/Cir-21/2011 dated October 5, 2011

The beneficial owner has been defined in the circular as the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a legal person or arrangement.

Further, the Prevention of Money Laundering Rules, 2005 also requires that every banking company, financial institution and intermediary, as the case may be, shall identify the beneficial owner and take all reasonable steps to verify his identity. The Government of India in consultation with the regulators has now specified a uniform approach to be followed towards determination of beneficial ownership. Accordingly, our organization should comply with the following guidelines.

A. For clients other than individuals or trusts:

4. Where the client is a person *other than an individual or trust*, viz., company, partnership or unincorporated association/body of individuals, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

a. The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest. Explanation: Controlling ownership interest means ownership

of/entitlement to:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or

iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

b. In cases where there exists doubt under clause 4 (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

c. Where no natural person is identified under clauses 4 (a) or 4 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

B. For client which is a trust:

5. Where the client is a *trust*, there should be identification of the beneficial owners of the client and reasonable measures should be taken to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

C. Exemption in case of listed companies:

6. Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

D. Applicability for foreign investors:

7. When dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client.

E. Implementation:

8. The provisions of this circular shall come into force with immediate effect. Review of Know Your Client (KYC) and Anti-Money Laundering (AML) policies should be done accordingly. Compliance of this circular should be monitored through half-yearly internal audits and inspections

3. LIMIT SETTINGS /CUMULATIVE ORDERS

(Exchange Circulars NSE/COMP/21990, NSE/COMP/21991, SE/COMP/21992 dated Oct 23, 2012, NSE/SURV/22310 dated Dec 14, 2012 and NSE/NSE/COMP/23927 dated July 18, 2013)

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Regarding placement of orders, the following guidelines as laid down by SEBI/Exchanges should be adhered to:

Assigned limits shall be reviewed and defined as follows:

- Quantity limit for each order
 - Value limit for each order
 - User value limit for each user ID
 - Branch value limit for each branch ID
 - Security wise limit for each user ID In addition to the above requirements, Compliance officer of the member shall submit a certificate on the above, to the Exchange on a quarterly basis and the said certificate shall include confirmation on the following :
 - that the limits are setup after assessing the risks of the corresponding user ID and branch ID
 - the limits are setup after taking into account the member's capital adequacy requirements
 - all the limits are reviewed regularly and the limits in the system are up to date
- all the branch or user have got limits defined and that No user or branch in the system is having unlimited limits on the above stated parameters
- daily record of these limits is preserved and shall be produced before the Exchange as and when the information is called for.

Further, members are required to note that compliance with respect to the above requirements be monitored as a part of annual system audit and System Auditor shall verify the compliance officer's certificates and confirm that the systems and system records are maintained as prescribed by the Exchange.

Pre-trade Risk Controls

1. SEBI has issued various circulars from time to time to implement risk management in cash market and equity derivatives segments.
2. The recent incidents of erroneous orders have brought to fore certain areas that require additional risk control measures to mitigate disruption of trading at the exchanges.

3. In view of the above, SEBI engaged in a consultative process with the market participants, stock exchanges, its Risk Management Review Committee (RMRC) and Technical Advisory Committee (TAC). Global practices in this regard were also studied.
4. Pursuant to the above, it has been decided to prescribe a framework of dynamic trade based price checks to prevent aberrant orders or uncontrolled trades. These measures would be implemented in phases in order to ensure the Indian stock exchanges deploy latest technology while maintaining adequate controls. As an initial measure, it has been decided that stock exchanges shall implement the measures as given below.

Order-level checks

5. Minimum pre-trade risk controls for all categories of orders placed on Stocks, Exchange Traded Funds (ETFs), Index Futures and Stock futures shall be as follows:

5.1. Value/Quantity Limit per order:

- (a) Any order with value exceeding *Rs. 10 crore per order* shall not be accepted by the stock exchange for execution in the normal market.
- (b) In addition, stock exchange shall ensure that appropriate checks for value and / or quantity are implemented by the stock brokers based on the respective risk profile of their clients.

5.2. Cumulative limit on value of unexecuted orders of a stock broker:

- (a) Vide SEBI circular CIR/MRD/DP/09/2012 dated March 30, 2012, stock exchanges have been directed to ensure that the trading algorithms of the stock brokers have a 'client level cumulative open order value check'.
- (b) In continuation to the above, stock exchange are directed to ensure that stock brokers put-in place a mechanism to limit the cumulative value of all unexecuted orders placed from their terminals to below a threshold limit set by the stock brokers. Stock exchanges shall ensure that such limits are effective.

5.3. Stock exchanges shall enhance monitoring of the operating controls of the stock brokers to ensure implementation of the checks mentioned at point 5.1(b) and 5.2(b) above; and levy deterrent penalty in case any failure is observed at the end of stockbroker in implementing such checks.

Dynamic Price Bands (earlier called Dummy Filters or Operating Range)

6. Vide circular no. SMDRPD/Policy/Cir-37/2001 dated June 28, 2001, stock exchanges had been advised to implement appropriate individual scrip wise price bands in either direction, for all scrips in the compulsory rolling settlement except for the scrips on which derivatives products are available or scrips included in indices on which derivatives products are available.

For scrips excluded from the requirement of price bands, stock exchanges have implemented a mechanism of dynamic price bands (commonly known as *dummy filters* or *operating range*) which prevents acceptance of orders for execution that are placed beyond the price limits set by the stock exchanges. Such dynamic price bands are relaxed by the stock exchanges as and when a market-wide trend is observed in either direction.

6.1 It has been decided to tighten the initial price threshold of the dynamic price bands. Stock exchange shall set the dynamic price bands at 10% of the previous closing price for the following securities:

- (a) Stocks on which derivatives products are available,
- (b) Stocks included in indices on which derivatives products are available,
- (c) Index futures,
- (d) Stock futures.

6.2 Further, in the event of a market trend in either direction, the dynamic price bands shall be relaxed by the stock exchanges in increments of 5%. Stock exchanges shall frame suitable rules with mutual consultation for such relaxation of dynamic price bands and shall make it known to the market.

Risk Reduction Mode

7 Stock exchanges shall ensure that the stock brokers are mandatorily put in *risk-reduction mode* when 90% of the stock broker's collateral available for adjustment against margins gets utilized on account of trades that fall under a margin system. Such risk reduction mode shall include the following:

- (a) All *unexecuted orders shall be* cancelled once stock broker breaches 90% collateral utilization level.
- (b) Only orders with *Immediate or Cancel* attribute shall be permitted in this mode.
- (c) All new orders shall be checked for sufficiency of margins.
- (d) Non-margined orders shall not be accepted from the stock broker in risk reduction mode.
- (e) The stock broker shall be moved back to the normal risk management mode as and when the collateral of the stock broker is lower than 90% utilization level.

Further to Compliance circular Ref No. NSE/COMP/21990 dated October 23, 2012, regarding policy for review and defining limits for Orders in the Capital Market segment, it is hereby informed that the setting of security wise limit for user id would be optional. Members may set security wise limits for user ids based on their risk management policies and internal controls.

4. SCREENING POLICIES AND TRAINING PROGRAM

(Exchange's Circular no. NSE/INVG/7102 dated 25-Jan-06 ,NSE/INVG/7307 dated 24-Mar-06 ,NSE/INVG/223 dated 22-Dec-08 , Nse/INVG/11928 dated 22-Jan-09 NSE/INVG/12996 dated 02-Sep-2009 ,NSE/INVG/13784 dated 30-Dec-2009 , NSE/INVG/14117 dated Feb 17, 2010 and Circular dated NSE/INVG/14994 dated June 16,2010, PMLA Master Circular dated Jan 05, 2011 NSE/INVG/16703 and relevant PMLA Rules)

Write up created by : Anand Jain
Write up reviewed by : Compliance Head
Write up approved by : Board of Directors
Write up last approved on: 01st January, 2025

Ongoing training to Employees:

Principal Officer would be responsible to impart necessary training to employees. Employees will be sensitized of the requirements under PMLA and the procedures laid down by the member. It will be ensured that all the operating and management staff fully understands their responsibilities under PMLA for strict adherence to customer due diligence requirements from establishment of new accounts to transaction monitoring and reporting suspicious transactions to the FIU. Annually, training programmes would be imparted wherever required for new staff, front-line staff, sub-brokers, supervisory staff, controllers and product planning personnel, etc. Training may include written materials like pamphlets, audio/video Cds, in-person lectures and professional seminars. Employees of the compliance department should be asked to attend BSE/NSE/CDSL Compliance training program.

The registered intermediaries shall have adequate screening procedures in place to ensure high standards when hiring employees. They shall identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

Intermediaries must have an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements shall have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

High standards in hiring policies and training with respect to anti-money Laundering

The registered intermediaries should have adequate screening procedures in place to ensure high standards when hiring employees. They should identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties. The registered intermediaries must provide proper anti money laundering and anti-terrorist financing training to their staff members.

5. ORDER RECEIPT AND EXECUTION

Write up created by :Anand Jain

Write up reviewed by : Compliance Head

Write up approved by : Board of Directors

Write up last approved on: 01st January, 2025

Procedure adopted for receipt of orders from clients

- Orders from clients to be received over the dedicated dealer landlines
- Voice recording mandatory for all orders place over the phone
- Client order can be accepted through emails or fax also
- In case of presence of any client in the office, the same is to be noted in the client order book along with date and time of placing of order

Mechanism for order management and execution

- All orders to be executed as per UCC of the client
- The desaler should be careful in selecting mode of lciemnt- ie pro, Institute , NRI , Retail client etc
- Upfront margin should be ascertained and taken before execution of orders

Procedure adopted for setting Limits at client level / Terminal level/Dealer level

- Order limits to be set for each client as per the net worth of the client or as per the funds made available by the client
- Where the client has given only income slab, then the initial limit set by the management for the client should be adhered to.
- Intraday trades should be considered as high risk as compared to delivery based trading
- MTM for all intraday squared positions should be promptly collected from clients

Policy on Margin collection mechanism and the modes of margin money

- Upfront margin should be ascertained and taken before execution of orders
- MTM for all intraday squared positions should be promptly collected from clients
- For capital market, margin should be collected only in cheques form.
- For F&O trades margin can be collected in both cheques as well as securities in the ration 50:50
- MTM losses to be collected only in the form of cheques
- Call/put options purchases to be collected only in the form of cheques
- No net off family members to be allowed in case of margin calculation

Procedure adopted for reporting of client margin collection to clearing corporation

- Daily F& O reporting is to be reported as per the laid down procedure
- Daily collection of margin from client is mandatory as per their positions held
- Any shortage reported should be informed to the client through email/letter and any penalty arising due to it should be debited to the client

Review of process adopted for monitoring/recovery of long outstanding debit balances

- All efforts should be made to recover long outstanding dues of clients
- Periodic reviews of party trial balance should be done by management to ensure timely collection of dues. Periodicity should be quarterly
- The rule of squaring up of ledger at least once in 90 days should be followed
-

Procedure adopted for calculation and reporting client funding

- NSE :one- time letter has been given to the exchange to inform that we would not indulge in client funding
- BSE : reporting should be done every month through BEFS online site to report that we do not indulge in client funding.

Procedure adopted for providing Direct Market Access (DMA) facility N.A

Order management and risk management systems circulars

	Particulars	References	Date
NSE	Clarification given by SEBI - fund based activities	NSE/MEMB/261	27-May-1997
NSE	Client Margin Reporting	NSE/CMPT/3167	01-Feb-2002
SEBI	Comprehensive Risk Management Framework for the cash market	MRD/DoP/SE/Cir-07/2005	23-Feb-2005
SEBI	Revised Activity schedule for T+2 rolling settlement	MRD/DoP/SE/Cir-17/2005	02-Sep-2005
NSE	Cash Market - Risk Management Framework	NSE/CMPT/6122	09-May-2005
NSE	Monthly disclosures of Client funding by members	NSE/CMTR/6732	04-Oct-2005
NSE	Financing of securities transactions	NSE/INSP/6938	09-Dec-2005
NSE	Monthly disclosures of Client funding by members	NSE/CMTR/6963	19-Dec-2005
NSE	Client / Constituent Registration Form-monitoring of trading activity of the client and client information	NSE/INVG/7236	03-Mar-2006
NSE	Clearing and Settlement - Currency	NSE/CD/11189	26-Aug-2008

	Derivative Segment		
SEBI	Unauthenticated news circulated by SEBI Registered Market Intermediaries through various modes of communication	Cir/ ISD/1/2011	23-Mar-2011
SEBI	Addendum to Circular no. Cir/ISD/1/2011 dated March 23, 2011	Cir/ISD/2/2011	24-Mar-2011
NSE	Review of Internet Based Trading (IBT) and Securities trading using Wireless Technology	NSE/CMTR/18245	01-Jul- 2011
NSE	Clarification on Margin collection and reporting	NSE/INSP/19583	14-Dec-2011
NSE	Guidelines on Outsourcing of Activities by Intermediaries	NSE/INSP/19603	15-Dec-2011
NSE	Client Funding	NSE/INSP/20638	26-Apr-2012
NSE	Surveillance Obligations for Trading Members	NSE/INVG/22908	07-Mar-2013
NSE	Disclosures by trading members and their group entities on their holdings in various listed companies	NSE/INVG/25130	29-Nov-2013
SEBI	Participation of FPIs in the Currency Derivatives segment and Position limits for currency derivatives contracts	CIR/MRD/DP/20/2014	20-Jun- 2014
NSE	Clarification on Client funding	NSE/INSP/29662	08-May-2015
SEBI	Client funding	CIR/MRD/DP/54/2017; CIR/MRD/DP/86/2017; CIR/HO/MIRSD/MIRSD2/ CIR/P/2017/64;	13-Jun-2017; 01-Aug-2017; 22-Jun-2017

6. SENDING CONTRACT NOTES , DAILY MARGIN STATEMENT , QUARTERLY STATEMENT OF ACCOUNTS TO CLIENTS

Write up created by :Anand Jain
Write up reviewed by : Compliance Head
Write up approved by : Board of Directors
Write up last approved on: 01st January, 2025

Procedure adopted for issuance of contract notes

- Centralized billing is in place and adopted by our organization
- All contracts/bills are to be mandatorily sent as ECN
- In the absence of email ID of a client, physical contract note can be issued. Physical contract notes are to be issued from the office where client was registered. However, the client is encouraged to have email ID and benefits for the ECN are explained to the client.
- Log report to this effect are maintained
- Bounced mails are resent or the client is contacted to give an alternate email ID through email or a written letter
- All contract notes to be issued within 24 hours of trading day, as per rules of the exchange

Adherence to electronic contract note norms, if applicable

- Clients are encouraged to opt for ECN
- In the absence of email ID client is apprised of the benefits of ECN and encouraged to have one.

Procedure adopted for sending statement of accounts

- All Quarterly statements are sent before 10th of the succeeding month after the quarter ends.
- All statements are sent electronically
- Log table to this effect are maintained

Procedure adopted for sending margin details to clients

- Daily margin files are sent to client
- All files are sent in electronic form
- Log report is maintained for electronic mails
- Bounced mails are resent or the client is contacted to give an alternate email ID through email or a written letter

Procedure for maintaining acknowledgement/proof of delivery of contract notes/statement of accounts/margin details to the clients

- PODs are maintained if physical documents are sent
- Log tables are maintained in case of electronic statements

Contract notes, Client margin details and Statement of accounts circulars

	Particulars	References	Date
SEBI	Regulation of transaction between clients and members	SMD-1/23341	18-Nov-1993
SEBI	Negotiated deals	SMDRP/Policy/Cir-32/99	14-Sep-1999
NSE	Information regarding Compliance Officer	NSE/MEMB/3441	14-Jun-2002
NSE	Amendments to Bye-laws and F & O Regulations of NSE and constituent registration documents in Currency Derivatives Segment	NSE/INSP/11184	26-Aug-2008
NSE	Dealings between a client and a stock broker	NSE/INSP//13606	3-Dec-2009
NSE	Dealings between a client and a stock broker	NSE/INSP/14048	3-Feb-2010
SEBI	Display of Details by Stock Brokers including Trading Members	Cir/MIRSD/9/2010	4-Nov- 2010
NSE	Reporting by Compliance Officers of stock brokers	NSE/COMP/17962	03-June-2011
NSE	SMS and E-mail alerts to investors	NSE/INVG/19382	18-Nov-2011
NSE	Clarification on Margin collection and reporting	NSE/INSP/38154	27-June-2018
NSE	Common Contract Note & clarification	NSE/INSP/27155	July 16, 2014
NSE	Format of contract note for cross currency Derivatives contract	NSE/INSP/37471	09-Apr-2018
NSE	Inclusion of ISIN details in Bills/Contract Notes/Statements	NSE/INSP/29031	04-Mar-2015
NSE	Signature on Physical Contract Notes	NSE/INSP/32524	06-June-2016
NSE	Compliance with fit & proper requirement by Members in case of trading in securities of listed Stock Exchanges	NSE/INSP/34055	24-Jan-2017
NSE	Compliance with fit & proper requirement by Members in case of trading in securities of listed Depositories	NSE/INSP/35116	14-Jun-2017
NSE	Issuance of daily margin statement	NSE/INSP/36786	19-Jan-2018

7. TERMINAL OPERATIONS AND SYSTEMS

Write up created by :Anand Jain

Write up reviewed by : Compliance Head

Write up approved by : Board of Directors

Write up last approved on: 01st January, 2025

Procedure and policy adopted by member before allotment of trading terminals

- NISM certificate should be procured from the dealer to whom the terminal is supposed to be allotted
- The location should be verified before allotment of terminal
- There should not be an unauthorized extension of the terminal in the vicinity
- Only the authorized person should have access to the terminal
- All details of the terminal should be uploaded to the exchange site online

Due diligence adopted for password security

- Password should be changed periodically as per the exchange policy
- Password should be stored in an excel/word file
- Access to the password file should be only to responsible dealers and management

Procedure in place for audit of systems and software

- Annual system audit should be there id required by exchange
- In case when there is no system Audit required by exchange then the same should be done through to vendor to the brokers satisfaction

Periodic updating of version and back up mechanism

- The dealer should be responsible for updating of versions and back-up mechanism of their own terminals

System adopted for data storage, security and access

- System configuration as laid down by the exchange should be followed
- Any upgradation required should be done promptly a
- Dealer should be responsible in bringing the requirement of the same to the management

Terminal operations and systems circulars

	Particulars	References	Date
SEBI	Advertisement by brokers/ sub-brokers and grant of trading terminals	SMDRP/Policy/Cir-49/2001	22-Oct-2001
NSE	Guidelines for location of CTCL terminals and usage	NSE/MEMB/3574	29-Aug-2002

NSE	Granting of CTCL terminal by the trading members	NSE/MEM/3740	13-Nov-2002
SEBI	Access to unauthorized persons by the members of subsidiaries	SEBI/MRD/SE/15958 /2003	22- Aug-2003
NSE	Scheme governing use of facility relating to Computer to Computer (CTCL) trading / Internet based Trading -	Download no. NSE/CMTR/6552	24-Aug-2005
NSE	Scheme governing use of facility relating to Computer to Computer (CTCL) trading/internet based Trading-Derivatives segmnet	Download no. NSE/FAOP/6553	24-Aug-2005
NSE	Internet based trading services	Download no. NSE/CMTR/8089	10-Nov-2006
NSE	NISM-Series-VII	NSE/INSP/16536	15- Dec-2010
SEBI	Broad Guidelines on Algorithmic Trading	CIR/MRD/DP/09/201 2	30- Mar-2012
SEBI	Pre-Trade Risk Controls	CIR/MRD/DP/34/201 2	13- Dec-2012
NSE	NISM-Series-VII	NSE/INSP/22096	08- Nov-2012
NSE	NISM-Series-VIII: Equity Derivatives Certification Examination	NSE/INSP/22613	24-Jan- 2013
NSE	NISM-Series-III A- Compliance Officer	NSE/INSP/22924	12- Mar-2013
NSE	NISM-Series-VII	NSE/INSP/27495	02- Sep-2014
NSE	NISM Series-IV: IRD certification	NSE/INSP/25617	21-Jan-2014
NSE	NISM Series XIII: Common Derivatives Certification Examination	NSE/INSP/29304	30-Mar-2015
NSE	Requirement of Certification in Capital Market Segment	NSE/INSP/30549	20-Aug-2015
NSE	Consolidated Circular on matters relating to User Id request	NSE/MA/32144	01-April- 2016

8. MANAGEMENT OF BRANCHES /SUB-BROKERS

Write up created by :Anand Jain

Write up reviewed by : Compliance Head

Write up approved by : Board of Directors

Write up last approved on: 01st January, 2025

System and Policy followed for opening / closing of branch

- Physical inspection of the location of branch
- Prospective clients of the branch should be identified
- Viability of the branch should be ascertained
- Deputing a set of required personnel including a manager cum compliance officer, accountant , dealer and any other staff if required according to the growth of the branch
- Reasons for closure should be ascertained from the manager of the branch
- If it is for any other reason other than viability factor, then the head office should delve deeper into the facts and see that it is not repeated in any other branch
- Each and every client should be informed well in advance about the closure as per the exchange guidelines

Procedure adopted to inform the same to clients

- All clients should be informed through a written letter for which a POD should be maintained.
- If the clients are informed through emails then log should be maintained for the same
- Client should be facilitated to shift to a new broker after settling the dues

Periodicity and procedure adopted for inspection of branches / sub brokers

- Every branch/ sub-broker should be inspected aonce a year
- A set of questionnaire prepared by the head office compliance department need to be answered to the satisfaction of the management
- Alternatively, the branch or sub-broker can get the inspection done through their CA. The set of questions to be formulated by the head office.
- Any adverse remark should be dealt with firmly and rectification for the same should be done in a time bound manner.

Reporting mechanism and mode of informing the inspection observations to branches / sub brokers and Follow up action plan

- Any adverse remark is to be notified to the branch or sub-broker through letter correspondence which can be both by an email or letter. A time bound solution to the same should be desired .

Policy of fixing of roles and responsibilities of officials in head office, branches and sub-brokers office

- Every branch and sub-broker office should have their own compliance officer
- Every branch or sub-broker should have their dedicated email ID for investor complaints and grievances
- The compliance officer incharge shall be held responsible for any no-compliance and rectifications of errors thereof.

Process laid out so as to prevent unregistered intermediation

- The system of passing of Sub-brokerage is centralized to prevent sharing of brokerage with unregistered intermediaries
- It is the primary duty of compliance officer of the branch to see that no brokerage is shared with an unregistered intermediary.

Documentation of Internal controls and Comments on Internal controls in place

- Internal control procedure has been laid down by the head office and the same should be applied as per the needs of the branch
- The procedure is made available online on the company's website.

Verification of Stock broker indemnity insurance policy

- Stock broker insurance policy is renewed every year for an amount of Rs 5 lacs.
- The same can be verified through BSE/NSE site from the list of brokers who have applied brokers indemnity policy through brokers forum.

Sharing of commission/brokerage

- Brokerage can be shared only with registered intermediaries- i.e. sub brokers, remisiers and APs.
- Necessary taxes(GST) and deductions(TDS) to be applied when payment for the same is made.

The due diligence to be undertaken by the Trading Members may include,

- (i) ensuring that receipt or payment of funds and securities are only from or to the respective clients and not from other person including sub-broker, branch official, authorised person, dealer, etc.,
- (ii) ensuring that the persons operating the terminals, while placing orders on behalf of a registered client, do not use the 'remarks column' without proper explanation or to put codes which could later suggest the existence of one or more ultimate clients;
- (iii) ensuring that the persons operating the terminals use proper client code in respect of the orders received from such clients and do not combine orders of different persons;
- (iv) ensuring that the no margin/pay-in obligation/pay-out adjustment is done among clients or between clients and sub-brokers, authorised persons, branch officials, dealers, etc.,
- (v) ensuring making and receipt of payments only by 'Account Payee' cheque or by direct bank debit/credit and not dealing in cash;
- (vi) ensuring that the sub-broker, branch official, authorised persons, dealers, etc., do not issue any contract note, bill, confirmation memo, debit/credit note etc., to the clients, unless it is issued in the name of the Trading Member under written authorisation from it;

(vii) if the Trading Member is also a Depository Participant for the client, sub-broker, authorised person, branch official, dealer etc., then to watch for unexplained, frequent or large off-market transfers

(viii) ensuring that the clients using or frequenting such premises do not indulge in such activities using the premises, name or accounts of the Trading Member or their sub-brokers etc.,

(ix) undertaking surprise inspections of such places to ensure prevention of any activity in violation of the Regulations

	Particulars	References	Date
SEBI	<u>Members of Stock Exchanges as Sub Brokers</u>	SMD/POLICY/CIRC ULAR/3- 97	31- Mar-1997
SEBI	<u>Members of Stock Exchanges acting as Sub Brokers</u>	SMD/Policy/CIR-3/98	16- Jan-1998
SEBI	<u>Intimation to the brokers to permit their sub-brokers to start business only after receipt of sub-broker registration certificate from SEBI</u>	Sub-Brok/Cir/02/2001	15- Jan-2001

9. WRITEUP ON MARGIN REPORTING CALCULATION

Write up created by: Anand Jain

Write up reviewed by: Compliance Head

Write up approved by: Board of Directors

Write up last approved on:

Summary of Margin procedure to be followed at K.M.Jain Stock brokers Pvt Ltd

SEGMENT – F&O (NSE AND BSE)

- In the F&O segment, it is mandatory to collect SPAN margin & Extreme loss margin from respective clients on an upfront basis. We will ensure that all upfront margins are collected in advance of trade.
- Collected margin should be allocated in NMASS in respective client UCC code.
- In the equity derivative segment, we will accept approved securities from clients for margin.
- For overnight F&O positions, 50% of the margin should be compulsorily come in cash and the remaining 50% can be in terms of collateral margin.
- Liquid funds include Cash, FDs, GSec, T-Bills and LiquidBeEs. 50% rule wouldn't apply to liquid funds. We encourage our clients to opt for T-Bills, Liquid Bees and G-Sec over FDs.
- Margin received from pledging above will be equivalent to cash in your trading account.
- We shall accept collateral from clients in the form of securities, only by way of 'margin pledge', created in the Depository system.
- Margin collection and reporting, shall compute on the value of such securities as per the closing rate on T-1 day as reduced by the appropriate haircut at a rate not less than the VAR margin rate of the security on that day i.e. T-1 day.
- Cheques received by us for M2M on or before T and deposited by T+1 day (excluding bank holiday, if any), can be considered, provided the same is cleared within T+5 working days.
- Only cheques that are cleared will be considered and while dishonored cheques or un-cleared up to T+5 working days will not be reported as margin/ margin on consolidated crystallized obligation/ MTM collected.

Reporting of margin in FO segment

- We will provide margin reports to clients on daily basis at the end of the trade day (T-Day) itself or by such timelines as may be specified from time to time . Margin pledge collaterals have to be mentioned in the daily margin statement. The indicative format of Daily Margin Statement to be issued to client is as per Annexure B of the Exchange Circular number NSE/INSP/45191 dated July 31, 2020
- Collection of M2M LOSS in FO segment
- Cheques received by us for M2M on or before T day and deposited by T+1 day (excluding bank holiday, if any), can be considered, provided the same is cleared within T+5 working days.

- Penalty levied by clearing corporations of short/non-collection of upfront margins may be passed on to client only if short/non-collection of upfront margin is on account of the following reasons attributable to the client:
 - a) No penalty to the client for short allocation of upfront margin
 - b) Cheques issued by client to broker is dishonored for M2M

Summary:

T day rule to be followed for upfront margin / VAR / ELM /MTM

For MTM, client's cheque may be accepted with the condition that it should be cleared on T+5 basis.

Upfront Margin/Exposure Margin- Mandatory to be collected; can be 100% cheque or in the ratio 50:50 if the client opts to give securities as collateral

VAR margin- to be given on T DAY basis

MTM margin- to be given on T basis; if the client gives a cheque then it should be cleared on T+5 basis

Collateral and haircut - As per exchange guidelines T-1 day value and VAR file

SEGMENT – CASH SEGMENT (NSE AND BSE)

- In the capital market segment- 20% upfront margin to be collected mandatorily and upfront, in lieu of VaR and ELM from the client on an upfront basis other than T2T(TRADE FOR TRADE).
- Other margins such as Mark-to-market margin (MTM), delivery margin, special/additional margin, or such other margins as may be prescribed from time to time, shall be collected within 'T+0' working days from their clients and allocation made in NMASS of NSCCL for respective UCC code. It must be ensured that a minimum 20% upfront margin is collected in advance before trade execution and other margins are collected/paid as soon as margin calls are made by the clearing corporations.
- For margin collection and reporting purpose points we credit for sale of shares by a client to be considered for which an early pay-in (EPI) request via Block mechanism has been accepted by depositories. The same may be considered as margin collected towards peak margin for the said sale transaction. The sale value of up to 100% of such securities (EPI value) shall be available as a Margin for other positions across all the segments.
- Early pay-in of securities (by block mechanism) /funds made by the clients to the trading broker will be treated as an upfront margin.

Collection/reporting of in Cash segment

- Margin collection and reporting, shall be computed on the value of such securities as per the closing rate on T-1 day as reduced by the appropriate haircut at a rate not less than the VAR margin rate of the security on that day i.e. T-1 day.

- We will provide margin reports to clients daily at the end of the trade day (T Day) itself or by such timelines as may be specified from time to time.

Towards collection/reporting of MTM losses (in Cash Segment):

- Cheques received / recorded in the books of clients' ledger towards margin daily at the end of the trade day (T Day) itself or by such timelines as may be specified from time to time
- Penalty levied by clearing corporations of short/non-collection of upfront margins may be passed on to the client if short/non-collection of upfront margin is on account of the following reasons attributable to the client:
 - I. No- for upfront margin
 - II. In case a Cheque issued by the client for M2M OR PAYIN is dishonored.

Summary:

T+0 day margin obligation and T+1 rule to be followed for pay-in obligations

Upfront Margin/Exposure Margin/VAR margin- Normally clients are asked to pay margin amount upfront.

MTM margin- Normally clients are asked to pay according to their pay-in obligations

Collateral and haircut- As per exchange guidelines T-1 day value and VAR file.

Guidelines/clarifications on Margin collection & reporting

In view of the SEBI circular SEBI/HO/MRD/DRMNP/CIR/P/2018/75 dated May 02, 2018 on "Additional Risk management measures for derivatives segment" and NSCCL circulars NSCCL/CMPT/37751 & NSCCL/CD/37750 dated May 14, 2018, Exchange has issued revised guidelines/clarification on Margin collection & reporting and as per guidelines issued by Exchange and SEBI from time to time

The key changes are as under:

- a) Reporting of MTM losses
- b) Collection of MTM loss by T day.
- c) Collaterals in cash collected for upfront margin can be considered towards collection of MTM losses.
- d)** Trading Member or its associate company is a Depository Participant and POA for considering securities towards margins as by way of pledge is in favor of Trading Member,

The key changes are as under:

- a) Reporting of MTM losses
- b) Collection of MTM loss by T day.
- c) Collaterals considered in cash towards upfront margin can be considered towards collection of MTM losses.

Penalty structure in case of short margin received from clients and reporting:

Penalty levied by clearing corporations of short/non-collection of upfront margins may be passed on to client only if short/non-collection of upfront margin is on account of the following reasons attributable to the client:

- No penalty to the client for short allocation of upfront margin
- Cheque issued by client to broker is dishonored for M2M

a) The records should be periodically reconciled with the actual collateral deposited with the broker.

1	REGULATORY REQUIREMENTS; Clarification regarding margin collection and reporting by members	Circular Ref. No.: 126/2011, download Ref. No.: NSE/INSP/19583 dated December 14, 2011; Download Ref. No.: NSE/INSP/24805; Circular Ref No.: 168/2013 dated October 23, 2013; SEBI/HO/MRD/DRMNP/CIR/P/2018/75 dated May 02, 2018; Circular Ref. No.: 331/2018, download Ref. No.: NSE/INSP/38154 dated June 27, 2018 Latest available on NSE INDIA.COM under the FAQs of Margin collection and Reporting
2	Daily Margin Statement Format	Circular Ref.No.: 126/2011, download Ref. No.: NSE/INSP/19583 dated December 14, 2011; Download Ref. NSE/INSP/36786 dated January 19, 2018; Circular Ref. No.: 331/2018, download Ref. No.: NSE/INSP/38154 dated June 27, 2018 , NSE/INSP/45191 dated July 31, 2020
3	Collateral deposited by clients with members	Circular no. NSE/INSP/2008/66, download reference no. NSE/INSP/10605 dated 21st April 2008, NSE/INSP/45191 dated July 31, 2020

FAQs on Margin Collection and Reporting

Download Ref. No.: NSE/INSP/25612; Circular Ref No.: 177/2014 dated January 20, 2014; Download Ref. No.: NSE/INSP/38154; Circular Ref. No.: 331/2018 dated June 27, 2018 (supersedes the old circular with download ref no. NSE/INSP/25612)

Latest available on NSE INDIA.COM under the FAQs of Margin collection and Reporting

10. GUIDANCE NOTE ON ABNORMAL/NON-GENUINE TRADES

SEBI master circular no. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104 dated July 04, 2018 (clause 2.6),
NSE Circular ref #NSE/INVG/2019/40175 NO. 31/2019

As a trading member we have to refrain from entering abnormal / non – genuine transactions executed dealers or any of our market participants primarily with an objective of transferring profit / loss between the concerned entities or creation of artificial volume in securities / contracts.

As a Trading Member we are required to monitor transactions of our clients keeping in mind the following points:

- Intermediary/compliance officers to have understanding of their client's activity to identify deviations in transactions by regularly monitoring them.
- The intermediary/compliance officers shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose.
- The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing.

Certain indicative scenarios have been listed below which may need additional attention and examination:

1. Trading activity of client(s) concentrated in a specific security / contract which is/are not traded very frequently or trading with low volumes with client squaring up its position within a short span of time. Additionally factors such as clients earning significant profit or incurring losses on account of such transactions, their consistent contribution to daily average volumes of security / contract may also be looked at.
2. Fresh positions are being created in the contracts very close to their respective expiry or on the day of expiry.
3. Large quantities being traded during last half an hour which account for significant percentage to total traded quantity without change in beneficial ownership.
4. Securities /contracts where the total traded volume of the client vis a vis the average daily traded volumes in that security is significant.
5. Additional emphasis to be given to Securities / Contracts where surveillance actions such as Additional Surveillance Measure, Graded Surveillance Measure, Periodic call auction, Trade for Trade etc. have been initiated. The details are available on NSE website under – https://nseindia.com/invest/content/equities_surv_actions.htm

Though these alerts and guidance note is indicative and not exhaustive and hence we should exercise necessary caution and due diligence at all times.

Further, as a member/intermediary, we have to analyze and seek rationale/ documentary evidences including seeking information such as bank statements/ demat transaction statements from the clients in terms of NSE circular reference no. NSE/INVG/22908 dated March 07, 2013.

11.Safeguards put in place to protect client funds from being used in proprietary trades

We at K M Jain Stock Brokers Pvt Ltd adhere to all the guidelines dispensed by SEBI, NSE and BSE regarding segregation of Clients' and proprietary funds or prevent misuse of clients' funds for proprietary use. Guidelines that we are following are as follows:

- a) *Bank Accounts*: Separate Client bank accounts, Settlement A/C and Own funds accounts have been opened and designated as directed by Authorities
- b) *Daily Up streaming of clients' funds to Clearing Corporation*: As directed by authorities, we ensure daily up-streaming of clients' funds received before cut-off time to Clearing Corporation - in our case it is NCL – National Clearing Corporation.
- c) *Email notifications to clients*: Email notifications to help clients reconcile their trading positions and ledger balances are sent to clients in various forms:
 - i. Daily contracts
 - ii. Daily Margin Statements
 - iii. Weekly ledger Statement
 - iv. Weekly DMAT Statement
 - v. Quarterly ledger Statement
 - vi. Quarterly DMAT Statements
 - vii. Annual Global Statement
 - viii. Quarterly Settlement
- d) *SMS Alerts*:
 - i. Instant alerts sent by SMS for any debits in holding statement OF CLIENT
 - ii. SMS sent after Quarterly settlements
- e) *TBills, GSec and Liquid Bees for Liquid Assets of clients for Margin purpose*: We encourage our clients to keep their liquid assets for margin purpose in the form of TBills, GSec and Liquid Bees, that get reflected in their Demat holding statement also, even after pledging.