INTERNAL CONTROL POLICY WITH RESPECT TO BROKING OPERATIONS

(1) Client Due Diligence :

We apply the usual client due diligence measures prescribed under KYC norms. Additionally, we also take reference of a client or person known to us in respect of walk-in clients. The format in which we conduct the client due diligence is part of our KYC form.

(2) Assessment of financial capability of client :

We take from clients a self-declaration, which states their total networth in terms of their net assets and liabilities. Such self-declaration has to be mandatorily supported by one of the following documents
(a) Copy of ITR acknowledgement.
(b) Copy of Annual Returns.
(c) Copy of Form No. 16 : In case of salary income.
(d) Networth certificate from a Chartered Accountant.
(e) Salary slip duly stamped, signed by employer.
(f) Bank Account Statement for last six months.
(g) Copy of Demat Account holding statement.
(h) Any other document substantiating ownership of assets.

(3) Process of record keeping and retrieval of client registration documents :

All client registration documents, once checked, found complete and verified as such and the accounts opened, are stored in safe-vaults in a sequential manner. Additionally, all KYCs and supporting documents are scanned and kept in soft form. We can retrieve either the physical or the scanned records on an easy basis.

(4) Updation of client financial and other client particulars :

We have now started on an annual basis the process of sending out,
(a) Client Master
(b) Self-declaration for financial status to all clients asking them to confirm the details in client-master and update the financial particulars. It should be an annual exercise of updation of client particulars.

(5) Client Master Modification :

On an annual basis, there is a regular updation happening. However, in between, if the client wants to modify any details, he/she/it is enabled to do so by filling up a Client Master Modification Form and submitting to us the documentary proof of modified detail**.**

(6) Systems and Process adopted for UCC upload :

From our back-end, we generate file for the client containing data of market segment, client code, client name, PAN, address in the format prescribed by NSE. The data generated are thereafter verified with KYC. On the data being found fully correct, the client is uploaded on UCC – site of NSE. After uploading, we run a check, on the UCC-site, by entering the specific client, whether or not the client details are actually uploaded on UCC-site.

(7) Process of client code closure :

First the client has to give a request for closure in the prescribed format accompanied with a photocopy of PAN card with signature. On receipt of such request, the account is checked for any outstanding balance either debit or credit. If it is a debit balance, the client is asked to clear it. In case of a credit balance , the same is paid to the client. Similarly, a check is carried out in the settlement department to ascertain :

(i)   the securities lying with us as margin or pending pay-out to the client.
(ii)   whether the client has any outstanding position in F&O segment (NSE and BSE), Currency Derivatives (both NSE, MCX-SX) or outstanding pay-in position of securities or a pay-out from Exchanges in pipeline. In case of any outstanding position, we either let the client pay off the same, (if it is an owing) or wait for the transaction to come to a close so that we can crystallize either the client's liability for pay-in or our liability to settle the securities due to the client.
(iii)   Whether any notice issued to the client is pending reply and any liability arises to the company or client as a result of client's action / inaction for which the notice has been issued. There is a prescribed process sheet, for monitoring the above points before taking a decision whether or not the client's account can be closed.

Once the client is cleared for closure, the client's account is closed, and an intimation is sent in the format of a letter.

(8) **Precaution with respect to dormant accounts** :

All dormant accounts (inactive for six months and more) are made inactive in our system. Hence it is not possible to execute a transaction in dormant accounts. However, a client can re-activate his/her/its dormant account by giving us in writing in prescribed format to activate the account and also stating the reason for keeping the account dormant.

(9) Process of client transfer from one sub-broker to another :

The client has to give in writing in prescribed format requesting transfer to another sub-broker under his/her/its signature and also under the signature of the new sub-broker, to whom the client would like to be affiliated. There will be a new tripartite agreement in the format prescribed by SEBI among the client, new sub-broker and us.

(10) Risk Management Policy :

Pay-in is due the day next to the trade. If pay-in is not received by the close of the working hours on the day next to the trade day, the same shall be subject to a penalty percentage which shall not exceed the prevailing bank rate of interest. This penalty shall be levied for the actual period for which the payment for the transaction / transactions has been delayed.

The clients is given an exposure limit equivalent to the sum of credit balance in client's ledger account and the value of client's collaterals lying with us, after applying the hair-cut percentage prescribed by SEBI from time to time. Such exposure limit is monitored on-line as the clients is trading and any short-fall or deficit in margin with respect to any order/orders of the client shall have to be made up on an instantaneous basis by the client, if the input order is to be allowed by us into the trading cloud.

In case of a client having an open position and his available margin (in terms of ledger credit and collaterals) being consumed towards the margin requirement of the existing open position, such client shall not be allowed to take any further position either in Cash Market or F & O Segment. Not only that the said client will not be allowed to take any further position in the market, but also we shall have the right to square up such existing position of the client in case of the value of open position over-shooting the client's available margin with us.

All debit balances are monitored on a daily basis. No debit is allowed to remain in books beyond three days. After three days client's securities and collaterals are auctioned off to realize the outstanding.

Pay-in funds and securities must be complete by the close of the working hours on the day next to the trading. However, securities can be paid in maximum by 10.30 AM on the (T+2) in day i.e., that is on the second day from the trading day. If not, they go for auction and the auction loss has to be borne by the customer. In case of non pay-in of funds, we do make the pay-in but securities are not released until the client makes the pay-in along with penal interest.

The local clients give us their cheques at the corporate office. To cater to remote clients we have opened CBS accounts with HDFC Bank and State Bank of India. These account numbers are notified to clients, who deposit their cheques in these accounts and send us an e-mail (at chq@anspl.net) comprising the cheque number and the bank where they have deposited the cheque. The clients also send us through courier counter-foil of the pay-in slips which they have used to deposit the cheque. However, we give credit to the client's ledger accounts once we receive the e-mail intimation from the client. The Bank reconciliation of the client bank accounts (with HDFC Bank and SBI) happen on a daily basis. In case any credit is not reflected in the bank account in two days, the credit in client ledger is reversed. If the cheque is found to be dishonored, we levy a penalty on the client.

Clients are given the cheques for their dues on the very day the pay-out is received from the Stock Exchange. However, clients maintaining their account on a running basis do not take their pay-out on a transaction-to – transaction basis. Whenever they want the pay-out, they inform us through sub-broker (or a direct client will inform the Accounts Department in Corporate Office) and the credit balance (which has become due - a credit balance for which the exchange pay-out is not received is considered not due) is released to the client.

(11) Policy for transfer of trades :

We have not given any of our sub-brokers the right to transfer trade. This right is available only at our Head-office under highly restricted circumstance with prior approval.

We entertain requests from sub-brokers for client code change on a very conservative basis. However, in certain cases which we are convinced are genuine mistakes of data-punching error, we do make the client code change, but after ensuring that the sub-broker has not done margin-arbitrage at client level.

In cases, where our terminal operators make mistakes, we take from them in writing that they have done data-punching error while inputting orders.

However, where there are such successive requests for client code change from the same terminal operator, it is our policy investigate and take necessary action. However, there has never been an occasion for us to test that policy.

We have a strict policy with respect to client code change. Inadvertent errors are inevitable. Where a client code change has been allegedly done for margin – arbitrage, the sub-broker who has made the client code change request is levied a penalty.

(12) Investor Redressal Mechanism :

It is not our policy to record complaints received through telephone call. However, complaints received through letter, e-mail and personal representation (we urge upon client to put it in writing and give it to us) are duly recorded by us.

(13) Policy of Limit setting in case of new terminals :

Limits are set to the mark-to-margin limit equivalent to sub-broker's deposit, in case of new terminals. This means that the moment the trading loss reaches an amount equal to Sub-broker's limit, the terminal will automatically be disabled. Unless the sub-broker replenishes the margin, the sub-broker will have no trading limit for the day. That means, no new positions can be created from the terminal. However, setting-off of already created positions would be allowed.

(14) **Control mechanisms to ensure that sub-broker terminals are not misused :**

If there is no volume happening at sub-broker's end even after a long period after opening, we ask the sub-broker to surrender the terminal. Similarly if there are no client registrations happening from a sub-broker even after a long time of opening, we ask the sub-broker to surrender the

terminal. In either case, the suspicion is that the sub-broker could be using the trading terminal as a mere reference point for undertaking deals on the curb.

(15) Procedure for Opening and Closing of sub-brokers :

Whenever the sales person spots a prospect, he visits the prospect and converts him/her/it either into a client or a sub-broker. If our terms and conditions are acceptable to the prospect, the sales person does prepare a report on him in a prescribed format. If the management accepts him as an associate, the process of documentation is initiated. When the

prospect has executed the documents, there is a complete internal process right from
receipt of documents upto dispatching the same to NSE for registration. For closure of a sub-broker, the following steps are executed :

a) We bring to zero all balances in the accounts of clients mapped to this sub-broker.
b) We ascertain whether any dues are outstanding from the sub-broker such as ODIN-Fee, or any other fee of any vendor or service-provider. If there are such dues, it is debited to sub-broker's Remisier A/c.
c) The share of brokerage due to sub-broker but not yet accounted for is credited to the Remisier A/c of Sub-broker.
d) We take a letter from sub-broker wherein he states that he would like to cease operations as a sub-broker affiliated to us.
e) We place an advertisement in one local daily and national daily each declaring the intention of the sub-broker to cease affiliation to us. The idea is that if any client has had any financial dues from the sub-broker, he/she/it can approach the respective Exchange(s) with claim.
f) In case the sub-broker informs us that all the clients or specific clients would like to move with him, we ask the sub-broker to give the client's intention in writing to close his account. If the client gives it to us in writing, we close the client account.
g) Where there are clients not wishing to move, we map these clients either to our Head Office or to another broker for which the client and the incoming sub-broker have to agree to it in writing.

We also have an internal document detailing the various steps for closure of a sub-broker.

(16) System in place to generate alerts for suspicious transaction :

Alerts are based on following factors :

(a) Sudden disproportionate increase in client's trading.

(b) A client trading beyond declared financial capacity.

(c) Introducing third party cheques in settlement of pay-in dues.

(d) Making off-market transfers to the same demat account(s) immediately after receiving securities in pay-out.

(e) Introducing Demand Drafts in settlement of pay-in dues.

(f) Any other act that arouses suspicion.

If a client is always indulging in one or all of the above in an on-going manner, we put him/her/it under special watch.