



SYKES & RAY EQUITIES™

Financial Planning Broking Research

POLICY FOR INTERNAL REVIEW OF BUSINESS FOR COMPLIANCE – INTERNAL CONTROL, RISK MANAGEMENT AND OTHER POLICIES

**(This is a policy document for guiding the operations of the organization.
This Document is for internal use and not for circulation.)**

I. CLIENT REGISTRATION

- The Application forms for opening an account are issued only when the management is satisfied with the clients' financial capacity to trade in stock market and after the prospective client provides the valid reference & introducer for his account.
- Know your client form is duly accepted in compliance with the mandatory requirements specified by the SEBI & Exchange and processed further along with supporting documents with necessary proofs duly verified with original.
- In person verification is done by the Employee/Sub-Broker/Authorised Person of the company.
- The company has the policy of approval of all application forms by the Authorised persons of the company before allowing trading to applicant.
- Company has also advised its Associates to exercise proper diligence with respect to the client before introducing him to the organization and the final authority to approve client also vests with the Management Committee of the company.
- All the KYC documents are finally stored at record centre which can be retrieved within 4-5 working days.

II. CLOSURE OF CLIENT ACCOUNTS

- Closure of client accounts: Client's Account may be closed by SREIL from further dealing through the SREIL in following circumstances:
 - As per Client's prior written request in prescribed format submitted to SREIL at its Mumbai H.O. (subject to clearance of entire outstanding / obligations).
 - Dormant or in-active status of client account beyond specified time limit as may be prescribed by SREIL and
 - Under any following circumstances:
 - ⇒ Failure or delay to meet pay-in or margin obligation on time and / or to clear outstanding dues to the SREIL.
 - ⇒ Repeated bouncing of cheques of the client.
 - ⇒ Unnecessary / unwarranted dispute from client with SREIL without any substantial cause/reason.
 - ⇒ Client's attitude of not coming to an amicable settlement for any dispute that can be settled without involvement of Exchange and / or SEBI.
 - ⇒ As per findings of Risk Management department of the SREIL.
 - ⇒ Any direction from SEBI/ Exchange or such other authorities.
 - ⇒ Under such other circumstances as the SREIL may think just and proper on case to case basis.

III. ORDER RECEIPT AND EXECUTION

- **Order Receipt:** There is telephone recording system for the receipt of orders. Most of the times the client entertained by the dealer who regularly deals with the client. The trades of clients are carried out in the respective client code only. The dealers take utmost care while executing the trades of the clients regarding the accuracy of Client code, Quantity and price etc. The orders from the clients are promptly executed by the dealers and the oral confirmation of the placement of the orders is immediately provided to the clients. Moreover, only registered clients are allowed to enter the dealing room for placing the orders. As a risk management measure the telephonic conversations with the clients are recorded at head office.
- **Mechanism for order management and execution:** The clients are divided into groups among the dealers and sub brokers at head office level, so that particular dealer can serve a particular group of clients which helps dealer to understand the client investment strategy in a better way & serve them accordingly. The orders are entered instantly by the dealer on the instruction given by the client. On execution of valid order into trade,

dealers confirm the trade with the client so as to avoid any future dispute. At the end of the trading hours, the dealer informs the clients about the execution of the orders placed by the clients. Also a trade confirmation SMS message covering details of all the trades executed is forwarded to client after completion of trading hours on registered Mobile No. of the client.

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

- Printing of Contract notes is centralized and is done at Head Office. The same are dispatched within 24 Hrs of execution of trades.
- Company issues Physical as well as Electronic Contract notes (ECN) to its clients. The digitally signed ECN are emailed to respective clients on the same day of execution of trades on their email address which were provided by them at the time of opening an account with the company. The company maintains the dispatch log of the ECN, where the client has not provided email Id or email bounces we issue physical contract notes.
- Client margin details are sent to all clients electronically on daily basis as digitally signed document. The dispatch log of the same is preserved.
- Statement of accounts of fund and securities is sent to all the clients through UPC system & also as electronically signed digital documents on quarterly basis within the time limit prescribed by the exchange. The proof/Logs of dispatch are preserved.

V. RISK MANAGEMENT

- **Collection of Pay-in, Margin, limits setting for exposures & turnover for clients, terminals, branches & sub-broker level:**
 - **Collection of Pay-in:** The Company takes standing instructions from most of its clients for maintaining running accounts for funds and also securities. The company has policy for transferring funds or securities to clients on periodic payout or as and when client needs it.

The client is expected to make payments for purchases and clear all debits before pay-in. SREIL is authorized not to release securities purchased by the client unless the funds obligations have paid in full. In case SREIL does not receive funds before due date (i.e. pay-in date) SREIL will have all rights to sell the securities without any further intimation to client / associate. SREIL may impose fines / penalties for any orders/ trades/ deals/ actions of the client which are contrary to agreement/ rules/ regulations/ by laws of the exchanges or any other law for the time being in force, at such rates and in such form as it may deem fit. Further where SREIL has to pay any fine or bear any punishment from any authority in connection with / as consequences of / in relation to any of the orders/ trades/ deals/ actions of the client, the same shall be borne by the client.

SREIL is therefore authorized by the client to charge a delayed payment penalty, not exceeding 18% per annum, on account of delays/ failure by the client in respect of daily margin, mark to market, other related margins and also in meeting the pay-in obligations on the schedule date. While levying delayed payment charges on the debit balance in the other family or group account of the client.

SREIL provides exposure against the upfront margin received in the form of cash / collateral from the client and the client also has the prerogative to demand withdrawal of cash and collaterals at his discretion, SREIL shall not pay any interest or other benefit to the client for maintaining cash balances or depositing collateral margins with SREIL.

- **Margin collection:** The Company collects margin from the client in the form of money / securities or other property, which may be required to open and / or maintain his account so long as the client desires to avail of the services provided by SREIL. The client's funds / shares lying in the margin account may be used by SREIL for the purpose of placing same as margin with the exchange and / or Clearing Member, in any form SREIL may deem fit.

The amount of security margin deposited with SREIL is interest free and SREIL shall have the right to adjust the same against any outstanding dues in client's account with SREIL. In the event of closure of account with SREIL, the balance of securities, deposit amounts (if any) shall be refunded only after all the transactions in client's accounts across segments are fully settled and / or intimation of closure in writing, whichever is later.

- **Limits setting for exposures & turnover for clients, terminals, branches & sub-broker level:** SREIL may from time to time vary limits (exposure limits, turnover limits, limits as to the number, value and/ or kind of securities in respect of which order can be placed etc.) on the orders that the client can place through SREIL's trading system. SREIL may need to vary or reduce the limits or impose new conditions for limits urgently on the basis of SREIL's risk perception and other factors considered relevant by SREIL including but not limited to limits on account of exchange / SEBI directions/ limits (such as broker level/ Market level limits in security specific / volume specific exposures etc.), and SREIL may be unable to inform the client of such variation, reduction or imposition in advance. SREIL shall not be responsible for such variation, reduction or imposition or the client's inability to route any order through SREIL's trading system on account of any such variation, reduction or imposition of limits.

SREIL may at any time, at its sole discretion and without prior notice, prohibit or restrict the clients' ability to place orders or trade in securities through SREIL, or it may subject any order placed by the client to a review before its entry into the trading systems and may refuse to execute/ allow execution of orders due to but not limited to the reason of lack of margin / securities or the order being outside the limits set by SREIL/ exchange/ SEBI and any other reasons which SREIL may deem appropriate in the circumstances. The losses, if any on account of such refusal or due to delay caused by such review, shall be borne exclusively by the client.

SREIL has margin based RMS system. Total deposits of the clients (Funds and Securities lying with SREIL either as Margin or in running account) are uploaded in the system and client may take exposure on the basis of margin applicable for respective security as per VAR based margining system of the stock exchange and/ or margin defined by RMS based on their risk perception. Any failure on the client's part in payment of margins shall be viewed seriously and SREIL is authorized not to allow the client any further exposure and also authorized to square off client's existing position/s and/ or sell the securities lying with SREIL as collateral.

The SREIL RMS system automatically sets individual client wise trading limits on the basis of client's available credit balance in ledger/ Margin account maintained with SREIL & available collaterals. These automatically set limits are subject to alteration by RMS team on the basis of past trading history & credentials of the client.

In case of direct exchange terminals (NEAT / BOLT) the overall trading limit is set from the Admin terminal located in H.O. on the basis of availability of net credit of all the clients under the branch & branch margin.

SREIL may collect Margins higher than Exchange Margins in case of too much volatility in the market.

- **Monitoring of Debit Balances:** The Company has a team to monitor all receivables and to do regular follow-ups with the clients. The debits in client's account are either secured against sub-broker's deposits or are secured against collaterals. The company has a policy not to transfer the securities of the client till the payment in respect thereof is received. The client is not allowed to do further trading unless the old dues are cleared.
- **Mechanism of pay-in and pay-out of securities:**
 - **Pay in of Securities:** The Clients securities for particular pay-in obligation are received only from client's account. Also the company is a CDSL registered Depository Participant. If client's DP accounts are maintained with the company, auto pay-in of securities is done only for those clients from whom POA is obtained for pay-in obligations.
 - **Payout of Securities:** Pay-out of Securities is given to clients immediately after receipt of the same from the Exchange subject to clear balance in his / her ledger account maintained with us. However securities of clients received in payout are not transferred in case of specific instruction from client. Securities of clients with debit balances are not transferred to their demat account after retaining securities worth 150% of the debit amount. Securities are valued after applicable VAR margin.
- **Payment, Receipt of funds from / to clients:**
 - The Company takes standing instructions from its clients for mainlining running accounts for funds and also securities. The company has policy for transferring funds to clients on periodic intervals or as and when client needs it. However, the company settles the funds at least once in a month or quarter as per the preference of the client.
 - The client is expected to make payments for purchases and clear all debits before pay-in. SREIL is authorized not to release securities purchased by the client unless the funds obligations have been paid in full. In case SREIL does not receive funds before due date (i.e. pay-in date) they will have all rights to sell the securities with intimation to client / associate.
 - The cheque from / to the clients are accepted / issued only from / to the account for which the client has submitted the proof to the company in the KYC. In case of any receipt from the accounts for which the proof is not available the same is demanded from the clients.
- **Square off of position:** The client/ associates are expected to make payments for purchases and clear all debits for pay-in. The company is authorized not to release securities purchased by the client unless the funds obligations have been paid in full. In case, if the company does not receive funds before due date (i.e. pay in date) the company has right to sell the securities without any further intimation to client/ associates. The cost and consequences of such action shall be entirely client's responsibility and shall be without any prejudice to the company's right to take any other action to recover the dues.

VI. LIQUIDATION OF CLIENT POSITION:

- Without prejudice to SREIL's other right (including the right to refer the matter to arbitration), SREIL shall be entitled to liquidate/ close out all or any of the clients 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 clients liabilities / obligations. The client shall ensure timely availability of funds/ securities in form and manner at designated time and in designated bank and depository account (s), for meeting his / her/ its pay in obligation of funds and securities. Any and all losses and financial charges on account of such liquidations / closing out shall be charged to & born by the client.

VII. POLICY OF INTERNAL SHORTAGE:

- For internal shortages, in BSE, the stocks are recovered by self auction at BSE on T+3 day and in NSE they are purchased from the market on T+3 day. The purchase consideration (inclusive of all statutory taxes & levies) is debited to the short delivering seller client.

VIII. INVESTOR REDRESSAL MECHANISM

- The register of complaints is centrally maintained. The Company has a dedicated Customer Relation Team to monitor & redress complaints lodged with branches / sub-brokers. The Complaints received from clients through mail, letter at branches and sub-broker is forwarded to Head office through email, telephone or post to respective Customer Relation Manager where they are redressed on online basis. If the complaint is not resolved at this level, then it is forwarded to Compliance Department. The pending investor complaints and redressal at this level is monitored by the compliance officer. The analysis of such complaints is done by the management and preventive measures are taken and implemented.
- Complaints registered against the company and received through exchanges are redressed by Compliance Department and are recorded in the Register of Complaints.
- The Company has designated an exclusive e-mail ID to enable the investors to register their complaints and such ID has been displayed on the company's website and printed on KYC Form, Quarterly confirmation statement of funds and securities, Welcome kit etc.

IX. ALLOTMENT/SURRENDER OF TRADING TERMINALS, OPENING & CLOSING OF BRANCHES

- **Allotment / Surrender of Trading Terminals:** The trading terminals are provided to the dealer/s that is/are appointed by the Company or to the registered sub-brokers and authorized persons only. The Exchange compliance requirements regarding allotment of terminals is strictly adhered to while allotment of terminals. In case of any closure of Branch or Sub-broker, the user IDs allotted to that location are surrendered.
- **Opening & Closing of Branches:** While opening a branch, survey is conducted by the marketing team as per evaluation sheet of the company which includes net worth and educational qualification along with experience in the Securities market of the person, infra structure and location of the office etc. Data gathered by the marketing team helps management to determine the credit worthiness of the person for opening a branch/registering as associate. After the mutual agreement for terms and conditions between the new associate and the company branch is opened.
- **Closing of Branches:** Branch closing either initiated at branch level if the branch manager / authorised person/ sub broker shows his interest to discontinue or initiated by Head office if the performance of the branch is not acceptable to the company. While closing the branch, branch and clients are informed about the closure of branch. Intimation in physical form regarding closure of particular branch is sent to all the clients of that centre. Then as per clients' instructions either they are shifted to nearest branch / HO or their accounts are closed. When the procedure is completed for all the clients the branch is closed.

X. BRANCH /SUB-BROKER, AUDITS

- The Company has a dedicated Compliance team which carry out periodic Branch / Sub - Brokers audit as prescribed by SEBI & Exchanges.

The team verifies the areas such as:

- No Cash dealings with clients are carried out.
- No Contract note / confirmation has been issued to clients other than the ones sent by SREIL
- No Commission, brokerage or fees has been accepted from any client by associate.

- No funds have been transferred from client's account to the account of associate or from account of one client to the account of another client
- No personal trades of the associate have been executed in client's account under any circumstances etc.

XI. PMLA

- Mr. Rajesh Agarwal has been appointed as Principal Officer of the organization in compliance with provisions as envisaged under the Anti Money Laundering Act, 2002 & written policy is maintained by the organization & the regular implementation thereof is monitored through Employee / Client trainings on regular basis.
- In addition to the existing requirement of a Principal Officer, Mr. Karunesh Kumar Varma is designated as 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules.
- The company's Risk Management System provides check in respect of volumes of trades done by the client in proportion to his financial details as disclosed in KYC. Also the internal auditors appointed by the company are specially assigned a responsibility to regularly monitor the various provisions of in respect of Anti Money laundering Act, 2002 including particularly aforementioned requirement.
- As required under the Act, the Principal Officer in co-ordination with Compliance team analyses the transactions that are reported to him and on identifying any suspicious transaction; the Principal Officer records the reasons for arriving at such a conclusion & in case finds anything suspicious, he is responsible for the reporting of the same to FIU.
- The clients are clearly defined in regards to their location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. These parameters are used for categorization of clients into low, medium and high risk clients.
