# Internal control Policy

## 1. Details

➢ Date of starting of business:

➢ Background of company : Bhargava Lodha Stock Brokers Pvt Ltd is registered member with NSE for Capital and Derivatives Segment

## 2. Funds:

➢ System of pay in and pay out of funds from / to clients : T
  - o The funds are taken from the clients to the extent possible.
➢ System & source of pay in and pay out of funds in case of Own trading
  - o Loans from associates
➢ Procedure of Margin collection, if any from clients & maintenance of records thereof
  - o Collaterals collected if any, are entered in the system
➢ Any funding is done to the clients
  - o Yes, at times as required
➢ Credit / transfer of Dividend to the clients / own dividend
  - o Done by passing credit note vouchers on the date of the receipt of dividend in the bank account.
➢ Procedure followed in case of default by client/ sub broker's client
  - o No instance observed.
➢ Payment to sub brokers / remisiers
  - o No sub brokers / remisiers yet
➢ Any third party transfer of funds? If yes , policy in this regard
  - o No third party transfers are allowed

## 3. BOLT Terminal

➢ Procedure of accepting & placing of orders
  - o The dealers are authorized to place the orders. In case the dealers punch in the wrong client code, the RMS surveillance in-house system sends an SMS to the management.
➢ Factors determining the trading limit for each terminal / client
  - o As per the risk profile of the client. Payment history and cheque bounces are the main criterias.
➢ Control over operator to ensure that he is entering authorized trades only
  - o Our in house RMS system currently also sends an hourly sms to the client of their positions. The BOLT terminal does not give us the track record for any trade change done. So, the trade change cannot be tracked to the original code, if any.

## 4. Contract Notes

➢ Whether printing of contract note is centralised? If not, Place from which CN are printed.

- o Centralised contract printing is done. We have moved to digital contract notes.
- ➢ Procedure for printing CN in case of outstation clients / sub broker clients
  - o In case any clients require physical contract notes, the same is printed on T+1 basis.
- ➢ Basis of numbering
  - o Financial Year start.
- ➢ System for maintaining duplicates & acknowledgement for CNs
  - o Physical maintenance .

5. **Securities:**

- ➢ System of pay in and pay out of securities from / to clients
  - • Clients securities are generally kept in the Client margin account except for  family clients.
- ➢ Separate Own Beneficiary Account maintained or not
  - • Yes we have separate Beneficiary account
- ➢ Separate Client beneficiary account maintained or not
  - • Yes we have Client Beneficiary account
- ➢ Client wise segregation of securities maintained or not
  - • The system gives us the track of the entire transaction and it is segregrated client wise and script wise
- ➢ Whether Clients' securities maintained with Member
  - • Yes
- ➢ Procedure for check on Third party security transfer/ acceptance
  - • DP record available of the client. The system does not allow any third party acceptance. DP Id of the client and the client ID is mapped only after thorough verification of the ownership of the account
- ➢ Policy to ensure that client's securities are not mis-utilised for own purposes or for any other client.
  - • The DP System does not allow any manual entries for movement of securites with respect to the client account ids or change of client names. All slips are generated by the system without any manual interface for entering the account ids to transfer the securities

6. **Introduction/Registration of clients**

- ➢ Basis of accepting as client
  - • Verification of PAN card, Barred entity list, and financial status.
- ➢ Procedure for In-person verification of clients and maintenance of proof for the same, specifically in respect of out station & sub-broker clients
  - • Im-person verification signature of the sub broker is taken. We also insist on signature verification letter from the bank. The format has a photo id inbuilt.
- ➢ Whether Client Registration Documents (CRD) given to new clients & to existing clients, on demand. Also, whether UCC & email ID

communicated to clients on CRD or separate letter, and proof for the above.

- Yes all of the above is done.

## 7. Internet Trading

- Prior Approval taken or not?
  - Prior approval is taken
- ITORS agreement entered into with clients or not
  - We have received the approval in July. So ITORS agreements is already entered with the clients desiring to take the internet trading.

## 8. PMLA

- Compliance w.r.t. Principle Officer and adoption of written policy.
  - Yes
- Measures taken with regard to Anti money laundering Act
  - Yes
- System of keeping a check on Volume of trading done by the client is in proportion to his financial details as disclosed in the KYC.
  - Yes, but this is a little discretionary as clients hesitate in giving the financial statements citing reasons that big brokers and other brokers are not insisting on the same. But any unusual pattern noted is generally queried with.
- Alerts for the same generated or not?
  - System generates cross trade records as of now. Since the volumes are not huge we have not built in a system to check with the bhavcopy. Currently we do the same manually.
- Any Suspicious Transaction Report (STR) sent to FIU
  - No
- Risk categorization of clients.
  - Manual