



# AJCON GLOBAL

ISO 9001:2008 Certified Company

Ajcon Global Services Ltd.

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**Equity ♦ Commodity ♦ Currency ♦ D.P. ♦ Advisory Services**  
**Investment Banking - Category I Merchant Bankers**

**POLICY FOR INTERNAL CONTROL - POLICY & PROCEDURES**

Policy created by : Compliance Head Ankit Ashok Ajmera (Executive Director/Compliance Officer)	Policy created on : 03-03-2013
Policy reviewed by : Compliance Head Ankit Ashok Ajmera (Executive Director/Compliance Officer)	Registeres Office: 101,Samarth,Off Hinduja Hospital 151 LT P.N.Kotnis Road,Mahim West, Mumbai 400016
Approval authority : Manging Director Ashok Kumar Ajmera (CEO)	Corporate office: 408, Express Zone, Cello –Sonal Realty, Western Express Highway, Goregaon East, Mumbai-400063
Policy approved by : Manging Director Ashok Kumar Ajmera (CEO)	Policy approved on : 01-04-2013
Periodicity of Review periodicity : Yearly	Last reviewed on : 01-04-2014
Version number : 0.01	Effective date of implementation : 31-03-2013
Officer responsible for implementation : Compliance Officer- Ankit Ashok Ajmera	AGSL-Ajcon Global Services Ltd

**To be implemented immediately from the date of approval.**

The below mentioned Internal Control – Policy & Procedure has been approved by the Board of Directors in their meeting held on 31<sup>ST</sup> March 2013. All the employees are required to follow the same and take due care for its proper implementation.

## 1. Introduction

Ajcon Global Services Ltd (hereinafter referred to as AGSL or Ajcon) is a SEBI registered Stock Broker and a Depository Participant and to carry on its business as such, it is necessarily required to comply with various Acts, Rules, Regulations, Stock Exchange Bye-laws, and Circulars etc. that govern AGSL's conduct of business. AGSL is a member of BSE since 2010 and is registered with SEBI having registration no. INB010761535. Similarly is also a member of NSE since 1994 and is registered with SEBI having registration no. INB230637630. AGSL is also a member of MCX-SX since 2012 and is registered with SEBI having registration no. INB260637633. AGSL is also a registered Depository Participant (DP) of CDSL having registered with SEBI having registration no. IN-DP-CDSL-355-2006. AGSL has laid down certain procedures to ensure that its various business activities are



conducted not only in conformity with the various regulatory requirements but also in a professional manner. All staff shall ensure adherence to these procedures governing their respective part of AGSL's business activities while discharging their duties.

Any non-compliance with the internal control procedures described hereunder may result in disciplinary action against the staff concerned. Staff shall also ensure that if they observe any breach/possible breach of any of the procedures, they must immediately bring it to the notice of their head of department or Compliance Department.

## **2. Internal Control Procedures Relating to AGSL's Business Activities**

The internal control procedures relating the various business areas of AGSL are given hereunder:

### **a) Client On-boarding and Registration**

- Persons are admitted as clients only after they have a meeting with the senior management of the company.
- The application forms for opening an account are issued only when the management is satisfied with the client's financial capacity to trade in securities market and after the prospective client provides the valid reference.
- The prospective client is required to submit the Registration Form along with Know Your Client Form as per SEBI's requirement duly filled-in in compliance with the mandatory requirements specified by the SEBI & Stock Exchanges and the same is processed further along with Supporting documents, proof of Bank account, DP account, etc.
- The details are entered in the back office software by the maker of the document. Further a senior person acts like a checker to see that the details have been properly entered in the back office software.
- Walk-in clients are not entertained and only clients through reference are enrolled.
- The financial capability of the client is assessed on the basis of the balance sheet, profit and loss, income tax return, wealth details, etc which shows the financial position. Last 2 years' balance sheet is taken from corporate clients. From the individual clients copy of IT Return is insisted or a declaration about their financial earnings &/or net-worth is taken on the basis of the management's level of comfort with such client.
- A copy of the Client Registration Documents (CRD) are given to the new clients at the time of registration & to the existing clients on demand. The UCC & complete set of registration documents are sent by email to the email Id provided by the clients in the KYC documents. Separate letter is also sent to them informing about their UCC.
- The client registration modalities are carried out in-house and are not outsourced.
- With reference to updation of clients' financial information, clients are requested to send copy of their IT Returns & net-worth on a yearly basis.
- The compliance officer of the company verifies all the applications received.
- The company has the policy of approval of all application forms by the Management of the company before allowing opening of trading a/c of the applicant.
- The clients are apprised about the risk disclosure document and are made aware of the contents therein regarding the risk associated with the securities market.





- On the Basis of Risk profile of Client, which is done by Management/Sales Traders/Dealers, Client is given limit for trading.
- All the formalities relating to client identification & verification are done in accordance with the Customer Due Diligence Process described under the AGSL PMLA Policy.
- Amendment to standard form / client agreements shall be considered by Compliance and any requests for special terms must be referred to Compliance.
- Requests from potential or existing clients for information about AGSL shall be dealt with as follows:
  - A “family tree” showing the intermediate holding companies of AGSL may be requested from Compliance and sent to a client.
  - It is not the practice of AGSL to disclose its audited report and accounts or financial statements to outside parties. Any request from a persistent client must be routed through Compliance.
- Requests from existing or potential clients for a guarantee must be approved in writing by the CEO and Compliance.
- The documents with respect to the registration of the client should be maintained at the office and arranged sequentially as per the UCC code provided to the client and the same should be stored in fire proof cabinets / cabinets under the control and guidance of the Compliance Officer. The sequential numbering and maintaining of the KYC at the office would make retrieval of client registration document fast & easy as and when required.

**b) KYC (Know Your Client) Registration Agency [KRA] Registration:**

KRA stands for KYC Registration Agency. It is an agency registered with SEBI under the Securities and Exchange Board of India (KYC (Know your Client) Registration Agency) Regulations, 2011.

KRA is required to avoid duplication in KYC of the investors. It facilitates single point change management. It helps to maintain uniformity of data across intermediaries. KRA helps to improve compliance levels.

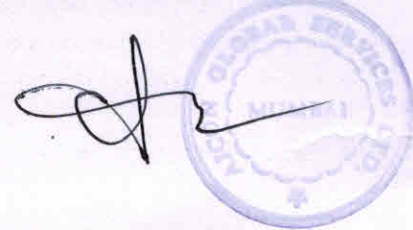
- The new KRA system is mandatory from the 1<sup>st</sup> January, 2012 i.e. any new client who is registered after 1<sup>st</sup> January, 2012, the same client's personal details has to be submitted to the KRA.
- The organization has to get registered with any of the following agencies: CVL / NDML / DOTEX / CAMS.
- The PAN number is the Unique Identification Number for KRA.
- For New Client registered with the Member:
  - The Clients PAN number is checked on the KRA web-site for the uploading his details. If the details are not found in the KRA data, the KYC details are uploaded to the KRA. The hard copy of KYC along with the supporting have to be submitting to the KRA within 10 days from the date of uploading.
  - The member has to verify the status of the said KYC. If he KYC is rejected then the reasons for rejections have to be complied with till the form gets cleared.



- Proof of dispatch is to be maintained for all KYCs sent to the KRA in hard form.
  - In case if details are already uploaded to the particular clients, the details uploaded on the KRA have to be verified with the details with our new client documents provided to us. If changes found, the same has been modified on the KRA system and hard copy of the same to be submitted to the KRA.
- For existing clients:
    - PAN number and KYC details of Active clients i.e. clients who have traded in current period have to be uploaded on the KRA site. In such clients also the procedure for uploading is the same as new clients.

**c) Receiving, Validating & Entering the Orders of Clients in Trading Platform**

- The Company's business model is such that all the clients are personally known to the management. Dealers are aware of the risk appetite of the each and every client which helps in better control.
- The Company has restricted the access to the dealing room to the authorized persons only who are dealers of the company. The Company has put an electronic access control system.
- The Dealers are informed about the approved clients, and they are responsible for receiving, validating and entering orders received from the clients.
- The orders are received over phone (recorded landline only), via e-mail, Bloomberg, personal instructions by clients when they are in the office.
- To give better & personalized service to the clients they are divided group-wise among the dealers so that a particular dealer can serve a particular group of clients which helps dealers to understand clients' investment strategy in a better way & serve them accordingly.
- Deal Slips are required to be time stamped when an order is received and also on execution of the order. Orders must be executed fairly and to the clients' best advantage.
- All orders must be recorded on a deal slip. Care must be taken to ensure that all relevant details are accurately and clearly recorded on the deal slip.
- All execution details must be recorded on the relevant deal slip. The deal slips (and any amendments / cancellations) must be authorized by Head of Dealing / Head of Equities. Reasons for amendments must be stated on the deal slips. Any amendments after handing over deal slips to operations must be recorded on the amendment deal slip which should be signed by Head of Dealing / Head of Equities and countersigned by Head of Operations.
- On execution of valid order into trade, dealer immediately confirms the trade to the client so as to avoid any future dispute.
- Order Allocation: When a order is to be allocated to different trading accounts of the same client, then allocation of shares must be done on a basis that gives, as far as possible, an equal price to each of different clients.
- At the end of the trading session, the dealer once again informs the client about the execution of the orders placed by the clients.
- Short sales must be reported on the exchange. On NSE, at the time of order. On BSE, net short position at the end of day.





- Long buys should be reported on NSE Capital Market Segment at the time of order.
- Any change in the status of trades marked as INST should be reported to the exchange by end of day.
- After market hours, back office team informs the client about their executed trades for the day and also about their obligation towards Pay-in & Pay-out of funds & securities for the particular day.
- AGSL, when dealing on proprietary account, must not deal in securities of a company 5 days before or 2 days after the release of AGSL's research report on that company.
- No staff shall deal in securities when in possession of information on client orders, pending transactions, pending research report or any other confidential information. This is a fundamental rule and any staff found to be acting in contravention of this rule will be liable to serious disciplinary action, including dismissal.

**d) Risk Management System & Limit Setting:**

**Ajcon has a policy to follow strict Risk Management parameter:**

- Ajcon has set
  1. Orderwise quantity limit for each Dealer / Client/ Segment for each order
  2. Orderwise value limit for each Dealer / Client /Segment for each order not more than 10 Crores.
  3. User value limit for each USER ID based on order level also
  4. Branch value limit for Branch ID based on order level also
  5. Security wise limit for each USER ID for each segment
- Limits for all Branch & User are setup after taking into account the Capital Adequacy requirement in respective Segment/ Exchange.
- Position Limits for each client are determined by the Risk Mgmt Department based on clients KYC & Net-worth information. These limits are set exchange-wise and segment-wise.
- The limits are reviewed by Risk Management Department based on the above criteria in consultation with Sales/Sales Trader.
- Risk Management Department has the facility to set position limits exchange-wise, segment-wise, dealer-wise, and scrip-wise. The limits are set in NSE NEAT System through 'Corporate Manager' and in BSE BOLT System through Zero Terminal and in CTCL Systems through Admin Terminal. The client-wise limits are set through CTCL System.
- Dealer level limits are set based on allocation of clients to dealers.
- The Risk Management Department continuously monitors the various limits set by it through online risk management software Protector and Reliable Risk Software.
- Risk Management Department is also monitors the exchange-wise and segment-wise exposure limits for the Company (AGSL).
- In CTCL Terminals, clients are mapped & Sales Traders/Dealers are informed about their clients. Dealers are authorized to enter orders for only mapped clients & the Surveillance Department monitors this online.





- The Trading Terminals are installed / activated only after complying with the regulatory requirement of the SEBI and the Stock Exchanges and after uploading the details of the Authorized User with the Exchanges.
- The Company has a system in place wherein on weekly basis Risk Management Department verifies that the certificates of the Authorized Users have not expired or are not due to expire in near future. If any certificate is found to be nearing its expiry, the concerned user is informed about the same one month in advance so that he/she can appear in the specified exam for getting a new certificate.
- The Risk Management Department also monitors the activity in accounts which had been lying dormant for a long time.
- All records of setting order/branch/user Limit is maintained by Risk Management Department.

**Ajcon with respect to Limit Setting has laid down the following policy:**

- With respect to limit setting & execution of orders in the various segments of the exchange, the Board of Directors in their meeting finalized the following policy and all the employees are required to take due care for its implementation.
- **Brief about Limit Setting:** Limit setting plays an important role with respect to the operation of the broking house and considering the risk associated for inputting trades in this electronic and dynamic market conditions the member should put limits for every client, every order, every branch, all terminals put-together, etc as may be applicable.
- The trading member should fix the limit which would indicate the maximum value of transaction that can be inputted through any order. Considering the dynamic structure of the broking house, AGSL authorizes the risk management team, in consultation with the director to decide on the limit that can be set vis-a-vis every client / terminal and the following limit controls are being implemented. The limits would be set for the following:
  - Quantity limit for each order
  - Value limit for each order
  - User value limit for each user ID
  - Branch value limit for each branch ID
  - Spread order quantity and value limit
- **Reporting:** As required by the exchange the compliance officer of AGSL shall submit a certificate to the exchange on quarterly basis certifying the above mentioned limits, as required. Members and employees of AGSL are requested to take utmost care while setting the limits so that no error occur
- The risk management department should control that the Cumulative value of all unexecuted orders placed from every terminals is below the threshold limit set by the RMS team considering the capital adequacy of the company.

**e) Collection & Release of Payments to Clients**





- Any money received or held on behalf of clients, is to be kept in a separate bank account titled "Client Account". Funds lying in this account cannot be utilized for any purpose other than for meeting clients' obligations.
- Some of the clients have given consent to the company to maintain their running accounts so as to avoid the trouble of receiving/paying funds on a daily basis. As decided by the Risk Management Officer, in case of some clients, no trades are done until the funds are received in advance.
- The company collects and releases funds through banking channels i.e. Account Payee Cheques & Demand Drafts and RTGS only. (Ref. CIR/MIRSD/03/2011 dated 9/06/2011)
  1. Proper audit trail should be maintained while receiving funds from the clients through pre-funded instruments, such as Pay Order, Demand Drafts, Banker's Cheque etc. While accepting any Pre-funded instruments wherein the name of the Client and the Bank Account number are not mentioned, certification mode by following documents/supporting is required to be accompanied alongwith receipt voucher after proper due diligence:
    - A certificate from the issuing bank on its letterhead or on plain paper with the seal of the issuing bank
    - A certified copy of the requisition slip (a portion of which is retained by the bank) to issue the instrument
    - A certified copy of the passbook/bank statement for the account debited to issue the instrument.
    - Authentication of the bank account debited and the name of the account holder by the issuing bank on the reverse of the instrument
  2. In case where funds are transferred by any client through Electronic Fund Transfer, following due diligence are required to be taken while accepting the funds:

Name of the Sender or Bank Account Number is mentioned in Description column of Bank Statement in case RTGS/ NEFT/ FT transaction.

Also additional details was sought from Bank for RTGS/ NEFT credit containing Name of the sender, Bank Account Number etc which is kept for record purpose for audit trail.

- The Accounts Team coordinates with DP team regarding pay-in of securities by clients and then releases the pay-out cheques to the client. In case of any shortage, the amount is released after partly withholding the pay-out fund.
- Company releases payments of the clients either by hand delivery to the authorized persons intimated by the clients or by courier to the client's correspondence address as informed by the clients. In some cases cheques are directly deposited into client's account.
- In case of pay-in, the cheques are collected on or before pay-in date of particular settlement & on receipt of cheques it is verified that the cheques are from client's Account only. Bank Account Numbers are entered in the Receipt Voucher & the same is compared with Master through system. All bank receipts which are not from client's Bank Account will be marked with "Third Party" flag by the Back office Software. After





identifying such receipts necessary steps are taken by the Back office Department & the same is reported to the Compliance Officer.

- In case of pay-out, after verifying that there is no short pay-in of shares, cheques are issued to clients with their Account Numbers printed on the cheques.
- In case of own trading pay-in/pay-out funds are arranged through own funds.
- Company is not doing any fund based activities such as funding to clients except where client fails to meet his pay-in obligation.

**f) Collection & Maintenance of Margins**

- The company transacts on behalf of clients in Cash segment and F&O segment. With respect to the collection of margin in cash segment, the company does not mandatorily collect margin. However, all efforts are made to see that none of the cash segment transaction leads to any loss for the organization. Further in case of new clients or risky clients, the Risk Management Team/Management may insist on margin/early pay-in of shares or funds before execution of the trades.
- In case where the margin requirements are not very low as compared to the client's risk profile, necessary margins are collected in any of the following form. (1) Early Pay-in of Shares, (2) Collection of Cheques on T/T+1 day, (3) Collection of funds and/or securities as Margin.
- With respect to collection and maintenance of margins in the F&O segment the same has been detailed below in Point no. (e) in more detail.

**g) Future & Options Margins**

- No transaction is executed for clients until the Initial Margin has been collected from them. Funds or shares are received from the clients as Margin.
- Shares received from clients as Margin are kept in a separate 'Client Margin Demat Account'.
- The Company daily uploads the span margin file to the Exchange.
- In case of shortfall in Margins (which are very few), the clients are immediately told to reduce the position immediately or requested to deposit extra margin to meet the shortfall.
- The clients are regularly sent the collateral margin report updating them on their margin requirement and the margin given by them to the organization and the surplus/shortfall in the margin, so that effective steps can be taken by the clients on the same.
- Any Penalty paid by the company to the exchange due to shortfall of margin of any client, will be recovered from the client by debiting the client's ledger through a JV and intimating the client by providing a copy of JV (manually or electronically), as a proof for the penalty charged to their account.
- The reporting of the margin to the exchange will be done by the risk management department.
- The option of reporting the margin can be done upto T+5 days, however the risk management department is authorized to do the uploading from T+1 day itself on the basis of the valuation of the total margin lying to the credit of the ledger plus the value of the other margin securities provided by the client. In case any corrections are required in





the file due to dishonor of any client cheque, etc then the new file will be uploaded after due consultation and permission of the seniors and the last file uploaded will be considered to be the final file

- The margin file uploaded is checked by 2 officials and then only uploaded to the exchange.
- The margin can be collected in through cheques, bank credits, fixed deposit, bank guarantee, Mutual Fund Units, Government securities / T Bills and approved list of securities. With respect to the securities that will be taken, haircut will be applied on the basis of VAR or as may be required by the exchange.
- The margins are to be collected from all the clients in the F&O segment and with respect to the cash segment, the margin will be taken considering the risk appetite and as per the view of the risk management department
- The company has a system where the stocks not approved by the exchange will not be considered in collaterals calculation, however the company may retain the same for extra security.
- The accounts department periodically reconciles the total collaterals received from clients with the total securities available in the Client Margin Demat Account and to take care that there is no item pending in reconciliation.

#### **h) Square-up Policy**

- The Company has a policy to square-off trades of the clients in case of Margin shortfall.
- Further in case of negative MTM Margin, the Risk Management Team monitors client's position closely follows up with the client for additional margin and also informing them that in case of non-furnishing of the required margin the positions will have to be squared off.

#### **i) Margin Calls**

- The margin calls are made to the clients when there is an increase in the trading position of the clients or when there is a change in the margin.
- The margin calls are made before entering the orders on behalf of the clients.
- In case any client has open position and due to volatility or change in the prices of the securities there is an additional margin requirement, then the clients are intimated about the same and the back office staff/CRM/Accounts Team follows-up with the client for the collection of the required margin.

#### **j) Collection & Delivery of Securities to Clients**

- Client Securities should be segregated from AGSL's own securities. Client securities are not to be appropriated to meet AGSL's own obligations.
- In case of sale of shares, deliveries are asked on T day/T+1 Day & same are automatically reconciled through Back office software Master by importing depository transaction files.





- In case of Pay-out of shares, after verifying that all the due funds are received, shares are transferred to clients on Pay-out date otherwise the same are transferred to Client's Margin Account.
- The company has received authority from clients to maintain their running account to avoid any trouble of receiving/paying securities on daily basis. As decided by the Risk Management Officer, in case of some clients no trades are done until the securities are received in advance. Proper record for securities held of clients is maintained.
- The company also reconciles its Pool A/c, Principal A/c and Client Beneficiary A/c on a daily basis.
- All the shares lying in the Client Margin Account are segregated segment-wise & client-wise through Back Office Software & record of the same is maintained in Back Office Software.
- Proper segregation is maintained by Back office Software for own shares & clients' shares.
- The company has subscribed for Speed-e facility to monitor online the activities of pool and other accounts.
- The company has policy not to transfer shares to clients who fails to meet their pay-in obligation.
- Securities details of clients are maintained in Back Office Software and the same can not be used for other client/own purpose. The company has system where control to check that client's securities are not mis-utilised for own purposes or for any other client is done. At any point of time, the sum total of the script-wise total for all the clients will tally with the stock held in the client margin / client demat account.
- The Back Office Software while uploading / importing the DP data with respect to the receipt of the shares checks the details from where the shares are received with the DP information as provided by the client and in case if any receipt has been received from other than the information as maintained in record then enquiry is made regarding such Third party security. If the receipt is from the clients another demat account, then proof for the same is called from and the client master data updated with the new demat account. In case if the same is received from a third party then the same is returned back to the same DP id.

#### **k) Monitoring of DP Operations**

- The organization has proper demarcation of work and responsibility among its staff for its broking and depository participant (DP) activities. The Company has dedicated personnel for DP operations who are responsible for all the activities of the department. Person in-charge of trading operations is not allowed access to DP operations of the company. The Broking Back-office Department intimate clients for their pay-in obligations and also confirm the pay-outs on a daily basis. They also reconcile all their records on daily basis.

#### **l) Research**

AGSL is a research driven stockbroker and places great emphasis on top quality independent research.





➤ **Preparation of Research**

It is the responsibility of the Head of Research to ensure that AGSL research reports are prepared as per the professional standard and integrity expected of the Ajcon Group. Ajcon Group maintains a policy of independence and this should be reflected in its research. While preparing research following should be observed:

- Research material must be fair and not misleading, must be produced in a professional manner and must be consistent with the Group style.
- Material interests held by a Group Company must be disregarded by the research analysts when producing research material and recommendations in relation to the company covered.
- Research material, its disclaimers and its use must comply with the relevant laws, rules and regulations.
- Disclosure must be made where a Group company, is providing or has provided, in the previous 12 months, investment services to a company which is the subject of the research, or has acted professionally in connection with an issue of securities by the company.
- A disclosure must be made where a Group company has fiduciary duties to the company covered for research e.g. is a corporate broker to the company.
- Analysts must be, and must be seen to be, independent from companies, which they cover for research. Procedures and guidelines must be in place to ensure that analysts comply with all applicable regulations governing the handling of the privileged information. In particular, such information must not be disclosed to clients or colleagues.
- Breach of another person's copyright is strictly prohibited and data should be sourced where appropriate.
- Restrictions on publishing forecasts or expressing opinions where a Group company is connected with investment banking advisory transaction must be adhered to. An analyst who is an insider to a transaction must not communicate with clients on that company/ies.

➤ **Unauthenticated news circulation (REF CIR/ISD/1/2011 dated 23/03/2011)**

- Employees/ temporary staff shall not circulate rumors or unverified information from client, industry, any trade or any other sources without verification. Such information shall be forwarded to any body only after taking due approval from Compliance Officer/ senior management.
- Employees/ staff shall not have access to Blogs/ Chat forum/ Messenger sites etc without permission from senior management.
- All information/emails are being scanned & were routed through firewall etc.
- Any non-compliance with the internal control procedures described hereunder may result in disciplinary action against the staff concerned.
- Market related news received by any employees in their official mail / personal mail / blog or any other manner, shall be first directed to the compliance officer / directors / authorised personnel of the company. Only after the same is approved by them, only then it will be allowed to be forwarded further.





➤ **Disclaimers & Acknowledgements**

The appropriate disclaimers should be carried on all research material which is published by AGSL. Use of charts, figures, data or other proprietary information from external sources should be acknowledged and where necessary, permission to use the data obtained.

➤ **Research E-mail**

When research is distributed through e-mail, care must be taken that appropriate disclaimers are in place. Responses to specific questions from clients, particularly on companies, also constitute "research" and must be sent out with the appropriate disclaimers.

➤ **Distribution of Research**

Research may only be distributed to clients on the mailing list. Additions to or deletions from the mailing list must be approved by the Head of Research.

**m) Compliance Function**

- The role of Compliance officer is to formulate compliance policy for the Company and to monitor the company's business activities to ensure compliance.
- The Compliance Officer advises line management of the company about the impact of applicable regulations on their business area and also supports them in discharging their responsibilities to comply with applicable regulations.
- The company has also implemented compliance calendar to keep proper control over the operations and compliances.
- In order to achieve the above objectives, the Compliance Department undertakes following activities on a regular basis:
  - Check on securities dealing conducted by AGSL;
  - Check on staff dealing to ensure that it is in accordance with the Employee Trading Policy and also in conformity with Code of Conduct for Prevention of Insider Trading;
  - Review of client files to ensure the documentation is complete;
  - Review of 'client account' to ensure compliance with regulatory requirements on client funds;
  - Review of research reports to ensure disclaimers are properly included;
  - Identify potential conflicts of interest;
  - Review of documentation, particularly in areas with regulatory responsibility;
  - Review of transaction specific documents;
  - Review of any complaints, penalties, fines
  - Review of manuals on a semi-annual or annual basis to ensure that necessary updation is carried out.
  - The compliance department is also responsible for updating of the policies in line with the various circulars being issued by the exchange and is also responsible for implementing the various exchange / SEBI requirements.





- The compliance department also carried out Investor Education, as required and Employee training within the organization to keep the employees updated on the latest requirements of various regulators.
- Review of the alerts provided by the exchange / DP and also maintaining the records for the same.
- Review the alert / surveillance controls generated through the back office software
- The compliance department is also responsible for providing all the submissions as required to the regulators before the due date. In case of any delay they should inform / update the senior management regarding the delay in submissions.

**n) Payment of Dividend:**

- The company receives dividend on clients' shares directly in the client bank account.
- The company pays all the dividends received on behalf of clients immediately to respective clients. The client dividend account is nullified immediately.
- On receipt of client dividend the same is credited to Dividend Payable A/c (Client) & after identifying the actual beneficial owner, the same is credited to clients on the same day.
- Own dividends are credited to Own-Dividend Account.

**o) Business Continuity Planning / Disaster Management Plan**

- For front-office operations, the Company has provided power backup to all dealing terminals so as to mitigate the risk of power supply interruption. The front office has connectivity to exchanges via leased lines.
- For back-office operations, the Company takes daily backup of the records into hard disk of Server. Apart from internal backup, the Company also takes weekly backup on DVDs and keeps copy of it externally in a remote place for safe custody.
- The backups are regularly tested to see their usability in case of any disaster.

**p) Sales Practice**

- The organization does not have direct sales retail team, but gets client on the basis of direct contact of the management.
- The organization is focused on working with limited but niche clients only.
- Investment ideas are communicated to clients only after due diligence by the Research Department based on clients' risk appetite and company fundamentals.
- Records of time stamping of orders received from clients & execution of trades are maintained.
- To ensure confidentiality of clients' trades, no mobile phones are allowed in the dealing room. And, all telephone lines/conversation with clients are recorded.

**q) Account Closure Procedure / Dormant Account**

- Any client desiring to close account is required to inform in writing and the decision in this regard is taken by the management. After necessary approval from the management,





the client code is deactivated. Only after scrutinizing the compliance requirements and "no pending queries" confirmation is taken, securities and funds accounts are settled. In case of closure of dormant accounts, the compliance officer checks in case trades are executed in such accounts and the account is checked for funds and securities settlement to avoid chances of errors, deliberate or otherwise.

- In case of an order received from an account which was lying dormant for a long time, an enquiry is made about their non-trading in the share market. Only on receipt of satisfactory reply, further actions for execution of transaction are carried out. Additionally, updated financial information & other details are rechecked, if required are called for. After receiving necessary documents, details etc. and approval from the management, client is reactivated & is allowed to carry out transaction.

**r) Contract Notes & Daily Margin Statement:**

- The contract notes & daily margin statement can be issued manually in physical form or the same may be issued Electronically (specified hereunder as ECN) as per the procedure specified by the exchange.
- The Contract Notes & Daily Margin Statements are prepared at Head-Office (HO) only.
- Contract Notes are serially numbered on yearly basis starting from 1<sup>st</sup> April every year. All Contract Notes stationery is maintained at HO & is kept in safe custody.
- Contract Notes must be issued in the format prescribed by the exchange.
- Contract Notes & daily margin statement must be issued within 24 hours of the transaction.
- Contract Notes must contain a disclosure whenever AGSL is acting as a Principal I respect of a trade.
- Contract notes & daily margin statement must be signed by authorized persons only.
- Contract notes must be acknowledged by the client / custodian is sent physically. In case of ECN, rejection if any then the same has to be physically delivered.
- Time, order number and trade number must be printed on the contract note.
- The Contract Notes are physically / electronically sent to clients on a daily basis by Hand Delivery / Courier / ECN or through STP in case of Institutional clients. Contract Number wise files are maintained along with acknowledgement.
- In most of the cases the duly acknowledged contract notes are received from the clients / maintaining the logs for the ECN. The company however is following the practice of receiving of all contract notes duly acknowledged from the clients.
- In case of any change in the e-mail id of the client then the same is considered only if a physical letter is provided by the client for change of email-id.

**s) Investor Grievances Redressal Mechanism:**

- The Company maintains a Complaint Register with the Compliance Officer at its HO. All complaints received from the investors/clients are recorded in this register. Concerned department is informed about the complaint received and efforts are made to resolve the complaint within the stipulated time. All related parties to the Company's business are informed about the investor grievance contact details at the exchange and are also provided the email-id of the Company for sending any grievances.





- The company as required by the exchange is maintaining the investor grievance board in the dealing office.
- The company has 4 members in the Investor Grievance Redressal department and the department directly reports to the compliance officer and CEO to take effective steps to resolve the investor grievances.

**t) Statement of Funds & Securities:**

- The Company sends statement of funds & securities as per the option selected by the client. However as a practice, the Company sent the statement of Funds & Securities on quarterly basis. Statements of Funds & Securities are sent to the clients electronically/ physically, as applicable, and proof of delivery is maintained by the Company.

**u) Recording System:**

- Orders that are received over phone (recorded landline only) are recorded daily and the recorded conversation between the clients and the dealers are stored daily for easy retrieval and checking in future. The organization is using Voice Recording System and has a policy of taking back-up and storing the backup in-house as well as outside the office. All dealing telephone lines are voice recorded and any request to listen to a tape must be made to Compliance (in the prescribed form). Tapes must be listened to only by the concerned employee and Compliance.

**v) Order Confirmation / Trade confirmation system:**

- The orders received over phone are directly entered in the front-office system and the same is confirmed to the clients at the same time. In case of orders, received over Bloomberg or via email, clients are confirmed when the orders get executed. Additionally, the dealers also correspond with the clients to update the clients on the status of their orders. At the end of the day, contract notes are sent to clients confirming about the trades done on their behalf.

**w) Execution of Orders in Capital Market Segment**

Compliance Officer is required to submit a Certificate on setting of Quantity/Value limit for each order/User ID/ Branch ID to the Exchanges on a quarterly basis in the format as prescribed by the respective Exchange.

**x) Internal Audit:**

- Company has policy to conduct Half Yearly Internal Audit as required under the SEBI Act, 1992.

**y) Annual Return:**





- The Compliance officer and the inspection department / internal audit department are required to check the compliance with the various requirement of stock exchange and accordingly the filing of Annual Return with the exchange is required to be completed before the due date. The exchange issues circulars regarding the same and the compliance with the same has to be taken care.

**z) Annual Information Report:**

- The Compliance officer is required to submit the Annual Information Report to the stock exchange in their specified format after updating any suggestions as may be provided by the exchange vide their various circulars to see that the organization has complied with the various requirements as may have been specified by the exchange within the time limit as may have been specified by the exchange.

**aa) Half yearly networth certificate:**

- The requirement of submission of networth certificate on half yearly basis for the periods ending 31<sup>st</sup> March and 30<sup>th</sup> September has to be complied as per the requirement of the stock exchange by the Compliance officer and the inspection department / internal audit department.

**bb) Mandatory Insurance Cover:**

- The requirement of taking the mandatory Insurance cover and submitting the same to the stock exchange has to be taken care by the Compliance department in consultation with the operations / accounts department or with guidance from the senior management as may be required.

**cc) Suspicious Transactions**

The Company has implemented a written Anti Money Laundering Policy & Procedures in the organization in accordance with the requirements under the PMLA and has also designated a Principal Officer for preventing and controlling money laundering activities and for combating financing of terrorism. The said policy, inter-alia, provides for Customer Due Diligence Process to be observed for new as well as existing clients, policy for acceptance of clients, maintenance of records, identification and reporting of suspicious transactions to authorities, AML training to staff for effective implementation of the AML Policy. Also Company analysis, monitor & report transactional alerts provided by the Exchange from time to time.

**dd) Miscellaneous**

- **Brokerage on Transactions:** Maximum: 2.5% of the Contract Value.
- **Service Tax:** Service Tax including Education Cess at applicable rates must be levied on brokerage.
- **STT:** STT at applicable rates must be levied on transaction value.





➤ **Stamp Duty:**

**For Clients having address other than Gujarat & Madhya Pradesh,** Stamp Duty is calculated as applicable in the Maharashtra State under The Bombay Stamp Act, 1958 for transactions in equities and derivatives segments:

- @ 0.01% of contract value for delivery based transactions and
- @ 0.002% of contract value for transactions squared-off during the settlement period.

For Clients having address in Gujarat & Madhya Pradesh, Stamp Duty is calculated as applicable in respective state.

ee) **Arbitration / Dispute Resolution Committee**

All arbitration proceedings in BSE and NSE as well as meetings of Dispute Resolution Committee of NSE concerning AGSL must be attended by CEO/COO / Director of the company.

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