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INTERNAL CONTROL PROCEDURES WITH RESPECT TO VARIOUS AREAS:

1. Registration of Clients:

- SEBI circular No. CIR/MIRSD/16/2011 dated August 22, 2011 has significantly changed the requirements of Client registration documents. This policy is reviewed and redrafted to ensure that all the requirements of the above circular will be followed in our office.
- Persons are added as clients only after they have had a meeting with the senior manager / director 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 stock market and after the prospective client provides the valid reference & introducer for his account.
- Know your client form duly complying with the mandatory requirements specified by the SEBI & Exchange are processed further along with Supporting documents, proof of bank account, DP account, etc. SEBI has discontinued the requirement of pre-franked Agreement /Stamp paper of requisite amount vide circular No. CIR/MIRSD/16/2011 dt. August 22, 2011.
- Client registration documents are modified in accordance to the format specified in the above mentioned SEBI circular.
- The in-person verification is to be done personally in our head office by an authorized personell.
- The compliance officer of the company verifies all the applications received.
- The company has the policy of approval of all application forms by the Managing Director of the company before allowing trading to applicant.
- Company has also advised its sub-brokers to make proper diligence about the client before introducing him to the organization and the final authority to approve sub-brokers client vests with the Compliance officer/Director of the company.
- 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 to avoid any issue in future.
- Walk in clients are not entertained and only clients through reference are enrolled.
- The client registration modalities are carried out in house and not outsourced.
- The documents are stored at the office and filed properly for easy retrieval whenever required.
- The clients only through reference are entertained. The financial capability of the client is also assessed from various parameters. 2 years balance sheet is taken from corporate clients.
- The financial capability of the client is assessed on the basis of discussion / disclosure / income tax document like ITR return or Income tax order.
- With reference to updation of client's financial information, the client are requested in the register of funds statement sent on quarterly basis to provide the details. Client have also been sent draft letter for providing the feedback.
- With reference to the other particulars of the client information, the same is checked on the basis of cheque received for bank information, demat receipts for demat account and return of posts for check of addresses. Additionally the clients are given reminders in the quarterly statements to provide update on the changes, if any.
- We have proper maker checker concept to avoid misuse of information provided in the KYC.
- Any change in address, e-mail id, contact details, etc is entertained on proper written request.
- A copy of duly executed client registration documents is sent to clients by courier along with the welcome letter or the documents are handed manually to the client.

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- The UCC is uploaded by the back office personnel. The Compliance Officer or manager of the Client Registration carries out this activity before any trades are input on behalf of the client.
- We don't have any separate marketing division and no norms are specified for the same.
- The clients are informed about the risk associated in equity / derivatives / securities trading at the time of their registration.
- We don't offer any type of freebies like free demat a/c, etc. to our clients.

2. Receiving, validating & entering the orders of clients in trading platform:

- The Organization setup is small and all the client are personally known to management/sub broker, their financial position is known and the dealer is 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 office only to the authorized persons who are dealers and sub brokers of the company.
- The approved clients are informed of the dealers / sub-broker who would be responsible for receiving, validating and entering the orders on behalf of them.
- The orders are received over phone, via e-mail, through sub-brokers, personal instructions when they are in the office.
- To give better & personal service to the clients they are divided group wise among the dealers so that particular dealer can serve a particular group of clients which helps dealer to understand client investment strategy in a better way & serve them accordingly. The concerned dealers have access of back office system in which the clients balance positions are updated daily and on the basis of the same the exposure is determined by the dealer. In cases exceeding the normal trading pattern, the dealer contacts the front office head to decide on the trade. In case of sub-broker having TWS at their office, an overall exposure is fixed on the TWS, thus restricting over trading. The order are entered instantly as given by the client without any delay.
- 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.
- 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.
- Internet trading facility is not provided to the clients.

3. Collection & release of payments to client:

- Some of the clients have given consent to the company to maintain running accounts on their behalf to avoid trouble of receiving / paying funds on daily basis. As decided by 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 & RTGS only. The procedure for acceptance of Bankers cheques or any Prefunded instrument is been elaborated in a separate policy named "Policy on Prefunded instrument" as per the requirements of SEBI.
- RTGS are also accepted as valid towards margin/payment obligations.
- Cheques are sometimes directly deposited by the clients in our accounts are also valid method of collections of funds from clients.

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- The account team keeps proper co-ordination with DP team regarding Pay-in of securities by clients and then releases the Pay-out cheques to the client. In case of shortage the amount is released as per the decision of managing director to give part money or not.
- 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.
- The MICR No. or the bank code is entered in the system to ensure that clients receipts towards margin or pay-in obligations are received only from the accounts disclosed at the time of registration. Any amount received from any other account is not accepted. Hence the possibility of Third party fund receipt is negligible.
- All the bank accounts are reconciled on daily basis.

4. Sending Contract Notes, Daily Margin statement, Quarterly Statement of Accounts to clients:

- The organization sends contract notes and daily margin statements within 24 hours of execution of the trade (i.e. Within 1 day) by courier / hand delivery to the clients.
- The activity of sending contract notes, daily margin statement and quarterly statement of accounts to clients has not been outsourced to any person.
- The documents sent by courier the proof of dispatch (POD) is maintained and in case of hand delivery, acknowledged copies are maintained.
- Duplicate copies are maintained.

5. Order receipt, Execution

- Order is received directly from client or person authorized by client only.
- In case of large order quantity, Script name and rate is reconfirmed before pacing the order.
- Upfront margin is collected from clients in the form of Cheques or Securities only.
- Margin from client is collected in the form of fund or security or Collateral..
- Trade Limits is set for all users/dealer and clients on a daily basis as stipulated by the Risk Management desk.
- All trading terminals have Quantity and price Limits to avoid the big losses from punching errors.
- Client is allowed to take positions based on permissible limits based on upfront margin collected.

6. Collection & release of securities to client:

- The company has received authority from clients to maintain bill to bill / running accounts on their behalf to avoid trouble of receiving / paying securities on daily basis. As decided by RMO 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 receives the deliveries of securities from the clients in the pool accounts intimated to the clients.
- For delivery of securities company has activated auto payout facility in clients demat account, for which daily report is sent to the Clearing House.
- The company also reconciles its pool, principle, CISA and client beneficiary account on a daily basis.

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- The company has subscribed for Speed-e facility to monitor online the activities of pool and other accounts.
- There is a proper system in place to ensure timely collection for pay-in from the respective client as per settlement schedule.
- All safeguards to be maintained to avoid Third party securities receipt. For this the securities will be accepted from only those demat accounts which will be disclosed by the client at the of registration.

7. Please refer to Risk Management policy.

8. Square off of positions / Liquidation of securities without consent of clients

- The organization does not have a system of squaring off the position of a client or Liquidation of securities without the consent of the client. The organization tries to have extra margin so that client positions are not forced to be squared off. Clients are priorly informed about the margin requirement and as the clients normally give the margin or square off their position on their own. Clients are warned / informed that their position may be squared off incase of shortfall of margin / pay-in default for the shares bought in the cash market. The clients are contacted and informed about the margin requirement over phone by the company staff or by the sub-brokers.
- The organization has CMS facility for collecting cheques at all parts of the country. In case of shortfall, the clients are informed to deposit the cheques in the bank account or securities are told to be transferred to the client margin account. The client is given sufficient time to act on the margin shortfall.
- Margin calls being made on phone, no record are maintained for the same.

9. Policy for internal shortages

- The internal shortage if any existing within the organization is informed to the exchange so that proper auction of the same can be done by the exchange and the journals / bills / debit notes for the same are debited to the client in whose account the shortfall has occurred.
- In case if an auction is not made by the exchange then both the clients are appraised of the situation and in case of the client in whose account the internal shortage has occurred, the buying transaction is done in the exchange and when after 2 days the shares are received from the exchange, the shares are delivered to the old buying clients who could not receive the shares due to internal shortage.

10. Transfer of trades

- In view of SEBI Circular CIR/DNPD/6/2011 dt. July 05, 2011 the policy on modification to client codes post trade execution and reporting of such Client Code Modifications made is made and the same is expected to be followed on priority and strictly.
- It is to be ensured that the modifications made are genuine and are authenticated by the director/ compliance officer.

11. Investor Redressal Mechanism

Refer Investor Grievance policy

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12. Allotment, Surrender of trading terminals

- To ensure that trading terminals have received proper approvals from the exchange, have been uploaded in the exchange and that the same are operated by authorised persons with valid certificates is of utmost priority.
- The Limit setting of the terminals is decided on the basis of the funds margin and securities value given to the member
- In case any terminal gets surrendered then the client would be mapped to the head office for further trading and in case if the client specifies any particular location from where he want to trade then the client is mapped to that terminal.
- The terminals are installed / activated only after complying with the regulatory requirement of informing Exchange and uploading of the details of the authorized user.
- The members controls and the auditors during their visit check that only authorized trading software is used by the branch offices and sub-broker offices.
- The visits are made by the company staff or the auditors during their visit the branches check that only authorized persons are operating the terminal. Additionally the company carries out proper due diligence before opening of the branch or sub-broker is carried out. The directors / senior management spend regular time to access the working of the branches and sub-brokers and various concerns including the volume vis a vis clients vis a vis clients profile and activity pattern are considered.
- Proper and timely steps are to be taken for renewal of certificates or arranging for persons with valid certificates for terminals whose operators certificates are nearing to expire.

13. Opening & Closing of branches

Since the organisation has no branch, the procedure for the same has not yet been devised. However proper due diligence would be carried out for the same to avoid any future issues and to have clear understanding between the branches and sub-brokers. Further the document of responsibilities will also be made detailing the duties and rights of the branch in charge.

14. Monitoring of Sub broker

- A person is considered for sub broker only after assessing the financial position, business capacity, experience, past operations etc. A sub broker is personally interviewed by managing director and only if found proper, further action for making a sub broker by SEBI / Exchange application is considered.
- Sub brokers usually operate from the registered office of the company and there all activities are under the observations of the organization. The records of sub brokers are periodically verified by company officials to verify that all statutory and other dues are being paid on timely basis by the sub brokers.
- In case of sub broker operating from the premise other than registered office of the company for which company officials takes surprise visits of such locations twice in a month to assure their activities are in compliance with the regulations.
- The organization has proper demarcation of work and responsibility within the organization. The company has the dedicated personnel for DP operations who are responsible for the all activities of the department thus person in charge of trading is not allowed access to DP operations of the company. They intimate the client for their payin obligations on a daily basis at the same time they confirm the payouts to the clients on a daily basis. They also reconcile all their records on daily as well as weekly basis.

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15. Operations & Compliance requirements:

- The role of Compliance officer is to monitor the operations and compliance requirements of the organization.
- The company has the system of getting its accounts monthly audited and to see all compliances are been done on a timely basis.
- The company has also implemented compliance calendar to keep proper control over the operations and compliances.

16. Continuity planning / Alternate plan in case of disaster etc.:

- For Front office operations the company has provided with the power backup to all dealing terminals so as to compensate for power supply interruption. The front office has connectivity to exchange via two leased lines.
- For Back office operations, company takes daily backup into hard disk of server. Apart from internal backup company also takes weekly external backup on DVDs and keeps copy of it in a remote place (Managing Director's residence) for safety custody.
- The backups are regularly tested to see their usability in case of any disaster.

17. Closure of client accounts and dormant accounts.

- As a company policy, clients account once opened are not closed, although the client may not trade at all over a long period of time.
- With reference to accounts which have been not traded for more than twelve months (Inactive accounts), wish to trade at any future date then, at the time they want to input an order, an enquiry is made about their non trading in the share market. Only on receipt of a satisfactory reply, then further actions for execution of transaction are carried out.
- In case of clients who have not traded for more than two years (Dormant accounts), the time they call up for the execution of any trade then enquiry is made about their non activeness in the share market. Additionally, their updated financial information and KYC information is also enquired & called for. Only after they have given the updated financials and after the directors feel comfortable for their trading, only then further actions for execution of transaction are carried out.
- In any case if transactions are to be carried out in Inactive (not being operated in last six months) / dormant accounts (not being operated in last 1/ 2 year), the client has to give a written request for trading.

18. Payment of Dividend:

- The company receives dividend on the client shares directly in the client bank account.
- The company pays all the dividends received on behalf of clients with in 90 days of receiving the same. The client dividend account is nullified every month to see that client dividend is credited to respective client account.

19. The Provisions of PMLA are dealt with in detail in the PMLA Policy made separately.

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