

## Policies Document

### **Policy for Client Code Modification/Error Policy:**

This policy is required to frame the guidelines for modification to client codes post trade execution and reporting of such Client Code Modifications.

**“Error Trades”** means the trades which will be modified / to be modified / allowed, to be modified subject to guidelines of the SEBI / Stock Exchanges and this policy.

For the purpose of this Policy, only the following types of trades shall be modified / allowed to be modified:

- i) Punching error / typing error of client codes due to any genuine error or mistake in order entry, while punching the order, by any of dealer.
- ii) Trade entered for wrong client due to any miscommunication from the client / authorized representative of the client.
- iii) Modification within family members
- iv) Institutional trades modified to broker error/pro account

#### **General Conditions:**

- (i) The facility for Client Code Modification can be used only in case of Error Trade.
- (ii) The Client Code Modification shall be carried out only on the designated system and / or as per the process as may be prescribed by SEBI / Stock Exchange.

#### **Penalty**

The penalty or fine, if any, levied on CBSPL for any wrong trade occurred due to any miscommunication from the client / authorized representative of the client shall be borne by the client.

**Note:** We at Chandrakala Broking Services Pvt. Ltd. keep a constant watch on error in client code punching at the time of trading. However sometimes due to some human error sometimes it may happen that some wrong client code is punched, for such circumstances we have a policy to cross the trade in the wrong code punched and inform it to the client.

### **Policy on Setting of limits for Terminals**

The objective of framing this policy is to pre define the limits for each trading terminal and monitor the same on continuous basis.

Every trading terminal should have certain limits no terminal should be left with unlimited limits. As per the SEBI Circular the following limits shall be defined for each terminal.

- (i) Quantity limit for each order
- (ii) Value limit for each order
- (iii) User value limit for each user ID
- (iv) User quantity limit for each used ID
- (v) Branch value limit for each branch ID
- (vi) Spread order quantity and value limit Market price protection percentage.
- (vii) Market price protection percentage.

Limits being the most crucial and important aspect, we give proper concern to it.

1. Branch wise limit is set basis branch debit credit position, stock valuation and market condition.
2. Client wise limit is set basis risk category of client, stock position, market condition and deposit levels.
3. We do take care for the Exchange threshold limit levels.
4. We also ensure for the limit enhancement or control in case of major events for market.
5. We always trade within limits and avoid leverage for clients as far as possible.
6. We are not active in derivatives yet derivatives related limit concept is not in operations yet.

## Internal Control

### **1. Details :**

We are basically in retail broking business. We started our business from our Sri Dungargarh office and have now around 5 Branch & Franchisees. We deal with Hem Securities Ltd as our DP of CDSL. We have around 12 Staff members. We cater to around more than 2000 investors India wide.

### **2. PMLA :**

We have appointed Mr. Sumati Surana as our principal officer and have adopted written policy for PMLA provisions. We do check client profile and references before account opening. We are generally involved with retail public as our clientele and thus the chances for such things are less. We are not involved in cash transaction so a proper channel of banking between clients and us are maintained. Big size transactions are taken care by management personally and actions could be taken if found some discrepancies.

### **3. Introduction / Registration of Clients :**

We accept our client either through our sub-brokers or branches or any one known to our existing clients or to us.

In Jaipur we personally verify the clients, for outstation clients either our sub-broker or Authorise person or staff our branches verify the clients.

After opening an account we send a welcome kit to client, we also confirm Email ID of client by sending a welcome letter on Email. We do not outsource anything relating to client Registration modalities.

We rarely entertain walk in clients, even if we entertain we ask the client for any reference and for risk mitigation measure we allow trading to such clients on the basis of credit available with us.

### **4. KYC Policy:**

We at Chandrakala Broking Services Pvt. Ltd. adhere to KYC Guidelines and accept only those clientele who serves the KYC criteria in an appropriate manner.

The documents acceptable as per KYC Guidelines are as follows:

ID Proof: Pan Card (Compulsory), Voter ID, Driving License, Passport.

Address Proof: Ration Card, Voter ID, Driving License, Passport, Bank Statement.

All documents are self attested. The list of required documents is maintained for every category of clients.

**5. Funds:**

Clients deposit their cheques in our designated client account on or before payin day. Where client have given us Running account letter then payin funds are also adjusted from their credits. Payout cheques are given to clients on payout, where running account letter is given by client cheques are issued on their request. We do not do trading in "PRO" account.

In our back office software we mark the bank account of all the clients, if cheque is deposited from other account or any third party cheque is given by any client it is reported to us by our software.

**6. Bolt Terminal:**

Bolt terminal is allotted to our registered authorized persons or at our branches and limit for buy & sale exposure, net exposure, single order quantity & value is given on Bolt ID. The limits is provided according to margin, credit & shares available with us. Trading operators are instructed to place orders in Bolt only for registered clients.

**7. Contract Note :**

Printing of contract note is centralized from our Bikaner office. We send almost all of contract notes through Email (ECN) only.

Numbering of contract notes is done on yearly basis starting from 1<sup>st</sup> day of every year.

We maintain log's for ECN sent to the clients.

**8. Securities :**

Clients give their deliveries to our pool account for payin to the exchange, many of our clients have given us Power of attorney of their DP account for delivering securities in our Pool account. We also adjust deliveries from our beneficiary account for the concerned client who has sold the shares. Similarly on payout shares are transferred to client DP account or

where client have given running account letter securities are transferred to our client Beneficiary account.

We have our own beneficiary account opened. Separate client beneficiary account is also opened.

In our back office we maintain record of clientwise – security account.

The clients who have given running account letter to us, for those clients we keep their securities in our client beneficiary account. IN our back office software we register clients DP account so if delivery comes from any other account for that client that is reported by our software. Clients securities are kept in separate account which are not used for our own purpose or for any other client. It is being controlled with the help of our back office software.

**9. Statement of Accounts & Daily Margin statement :**

Statement of accounts for funds & securities are issued on quarterly basis.

Statement of accounts is issued centralized from our Bikaner office. Most of the statements are sent digitally where clients have given us consent to send the statements digitally.

**10. Execution of Power of Attorney:**

We accept Power of Attorney of our clients in our name only for their DP account for transfer of shares in our Pool account for their pay in obligation.

**11. Opening & Closing of Branches:**

The branch is opened only after investigation for scope of work. Our own staff handles the branch.

On closing of Branch a paper advertisement is issued in local news paper, in case of Sub-Broker/Authorised Person paper advertisement is also given in National news paper.

All the debit & credit accounts are settled, shares lying in our beneficiary account are transferred to respective DP account of clients.

**12. Closure of Client Accounts / Dormant Accounts :**

We give an account closure letter to the client where we give no dues mentioning to the client.

In case of dormant account (six month) our operator confirms from a senior person to allow trade in that account, we obtain a letter from the client to restart the trading. Proper margin collection & updation of documents is also being done. Proper documents are also recollected. For very old dormant account ( more than 24 months ) new client opening form is get filled due to change in regulatory requirements, whole set of mandatory documents is also obtained from the client before restarting the trading.

**13. Receiving & Execution of Orders :**

At head office orders are accepted both in person and over phone, we have voice recording system in our office. In branches / AP's office orders are accepted both in person & over phone. Many of these also have voice recording system to record the phone calls of client.

We do not maintain any document for the clients who personally walk into the office & place the order.

We have distributed our clients among our different trading operators, for a particular client particular operator execute orders so our operator by voice identifies client. Trading operators also ask client code from the client to reconfirm the identity of client and generally the mobile numbers also get validated with registered number. In case of any dispute the recorded calls are being used.

**14. Portfolio Manager :**

We are not registered Portfolio Managers hence we do not act as Portfolio Manager.

**15. Brokerage Charged :**

We at the time of opening of account fix the brokerage of the client which is also filled up in client Registration form. In case of change of brokerage again a written paper is signed by the client. We do not give any schemes of brokerage to the clients currently.

**16. Training System Policy:**

We do take care of training and making our team of staff aware of all the nitty gritty detail of market operations.

We also conduct awareness sessions for our clients too. Training is imparted to staff as and when required by us like:

- Major change in operational system
- Major market event to happen which could affect the regular operations effectiveness
- Customer interaction and feedback mechanism
- KYC compliance on strict basis
- Categorisation of clients
- Government decisions affecting the working and internal policies etc.

Customers awareness is also given heed to by conducting Investor Awareness Programs and regular interaction with them.

**Policy & Procedure adopted for Settlement of running account.**

1. As per SEBI & Exchanges guidelines we do actual settlement of accounts of clients. Client give written consent of settling the account on quarterly / monthly basis.
2. The actual settlement is done with the help of Software, which calculate the amount to be settled on securities to be settled as per SEBI/ BSE guidelines.
3. We settle the account on quarterly basis and the gap between 2 settlements should not increase 90 days.
4. Shares to be retained are valued after hair cut of Var Margin, As a policy we apply minimum 25% haircut on valuation of shares. If Var margin is higher than 25% then that rate is applied for hair cut.
5. Zero balance is not required within 1<sup>st</sup> quarter post account opening.
6. Zero Balance figure will be inclusive of only financial balances and not the different charges levied on clients. For Ex: KYC Charge, DP Charge etc.
7. Family A/c adjustment is not permissible.
8. Cr. Balances will be made Nil if client is making a request with us for making payment however the Zero balance rule is made clear to clients in advance that they are eligible to clear their credit balance once in every quarter.
9. Set off letter being issued to clients as per their set off dates via email.

**Investor Grievance Policy:**

We at Chandrakala Broking Services Pvt. Ltd. ensure to serve our clientele with total satisfaction. Investor Grievances are part of Investor satisfaction level and we being very particular for this try to solve every problem of client as soon as possible.

Clients can directly communicate their issues to us through mail at [investorgrievances@chandrakalabroking.com](mailto:investorgrievances@chandrakalabroking.com). Or we are available at from 10 am to 6 pm (Monday to Saturday) for our investors at our offices for personal interaction.



## **PREVENTION OF MONEY-LAUNDERING POLICY**

### **OFFENCE OF MONEY-LAUNDERING**

**Offence of money-laundering.--** Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of moneylaundering.

**Punishment for money-laundering.--** Whoever commits the offence of money-laundering shall be punishable with rigorous imprisonment for a term which shall not be less than three years but which may extend to seven years and shall also be liable to fine which may extend to five lakh rupees: Provided that where the proceeds of crime involved in money-laundering relates to any offence specified under paragraph 2 of Part A of the Schedule, the provisions of this section shall have effect as if for the words "which may extend to seven years", the words "which may extend to ten years" had been substituted.

### **OBLIGATIONS OF BANKING COMPANIES, FINANCIAL INSTITUTIONS AND INTERMEDIARIES**

#### **Banking companies, financial institutions and intermediaries to maintain records.--**

- (1)  
Every banking company, financial institution and intermediary shall—
- (a) maintain a record of all transactions, the nature and value of which may be prescribed, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month;
  - (b) furnish information of transactions referred to in clause (a) to the Director within such time as may be prescribed;
  - (c) verify and maintain the records of the identity of all its clients.

**No civil proceeding against banking companies, financial institutions, etc., in certain cases.--** Save as otherwise provided in section 13, the banking companies, financial institutions, intermediaries and their officers shall not be liable to any civil proceedings against them for furnishing information under clause (b) of sub-section (1) of section 12.

**Burden of proof.--** When a person is accused of having committed the offence under section

3, the burden of proving that proceeds of crime are untainted property shall be on the accused.

- We do check client profile and references before account opening.
- We are generally involved with retail public as our clientele and thus the chances for such things are less.
- We are not involved in cash transaction so a proper channel of banking between clients and us are maintained.
- Big size transactions are taken care by management personally and actions could be taken if found some discrepancies.
- We have a proper record as per Section 12 of PMLA.

Section 12 of PMLA stipulates that every banking company, financial institutions and intermediary shall maintain a record of all transactions, the nature and value of which may be prescribed, whether such transaction comprise a single transaction or a series of transaction integrally connected to each other, and where such series of transaction take place within a month and furnish information of transaction and verify and maintain the record of the identity of all its clients. Such transaction include:

- All cash transactions of the value of more than Rs. 10 lacs or its equivalent in foreign currency.
- A serial of cash transaction integrally connected to each other which have been valued below Rs. 10 lacs or its equivalent in foreign currency where such series of transaction take place within one calendar month and the aggregate value of such transaction exceeds Rs. 10 lacs.
- All suspicious transactions whether or not made in cash.

We do take care of identifying Customer background and field of work. We do cross check references and maintain a counselling session before accepting a client. Entire due diligence of client is carried on with his/her documents and informations given by him/her. Basis the due diligence part and counselling session we categorise client with particular risk category as we deem fit.

In case of client of special category we have a separate policy describing the methodology of treatment for the same.

We do make our staff and client understand the importance and repercussions of Section 12 of PMLA on our business.

### **Risk Management Policy:**

- Customers are categorized in different risk parameters as per the deposit levels, past payment cycle, client behavioral aspect and market volatility.
- We are having three cadres for risk viz. R1, R2 and R3.
- R1 are those clients who are the least riskiest clients, R2 are considered as medium risky clients and R3 are the ones who need special care for being the most riskiest category of clients.
- R1 are generally those who are delivery based investors and as per business terms are found to be quite apt and whose debtor ageing is very low.
- R2 are those clients who are mix of delivery and trading and as per business terms are found to be quite ok and whose debtor ageing is greater than 7 days and lesser than 30 days.
- R3 are the ones who are only trading based clients, these clients are monitored continuously as only M2M is involved. For these category debtor ageing is not required it is taken client to client basis.
- We inform clients on a regular basis relating to the risks involved in markets.

### **Policy for Unauthentic News Circulation**

1. We have a policy to check authenticity for any news circulated through any communication media.
2. We don't circulate any news to clients till the time we are sure of such information.
3. We are aware of the fact that rumours are circulated in market to manipulate and trap investors and thus we take this on serious basis.
4. Operators are strictly instructed to take care for the same on serious note.
5. We try to validate the information through cross check with other media of communication or through our internal processes.

## **POLICY FOR PRE-FUNDED INSTRUMENTS / ELECTRONIC FUND TRANSFERS**

Prefunded instruments like Demand Draft, Banker's Cheque, Pay order etc. Or Electronic fund transfers are dealt keeping in mind that the clients' registered bank details are reconciled with the same.

We do not accept any Demand drafts from clients till the time it seems to be the last option for mode of payment. We have guidance not to accept any DD amounting to Rs. 50000/- and above. We do maintain a registered trail for the same.

In case of Electronic fund transfer we maintain an entire log for the same and we do reconfirm the amount and the reference with client.

### **Policy for Dormant Accounts:**

A] Definition of Dormant Account & Limitations/Restrictions on such Account:

An account (irrespective whether having debit or credit balance) shall be classified as dormant account in case there are no transactions (trade, payment, receipts) for a period in excess of 6 months from the last transaction date. The following limitation / restriction shall apply to a dormant account unless the same is reactivated:

- Account shall be frozen for further transaction
- Pay-out of funds and/or securities will be retained by the Chandrakala Broking Services Pvt. Ltd.

B] Information to clients:

In the interest of the clients, as & when any account has been classified as dormant accounts as above the client shall be informed through either direct phone or mail or letter to the contact details/address last available with the company within seven days of such classification.

C] Re-activation of Dormant Accounts:

A dormant account can be re-activated when the client submits a formal application stating the reasons for non-operation and provide the proof of identity. After due verification by the

company the account shall be re-activated.

The company shall levy Rs 100/- as charge for re-activation, subject to waiver if authorized.