

## 1. Introduction/Registration of clients

- The retail clients will be registered, if introduced by Directors, Sub-brokers, Remisers, existing clients, through proper references. In case of walk in clients the due diligence as per the PMLA Policy of the Company point 3 shall be followed. In all circumstances the proper identification of the client will have to be ascertained by the person in charge of the process.
- The person in charge of the process of opening the account will have to assure that the in-person verification of all the new clients is done either by him /her or by the concerned Branch Manager or by the employee of the Company.
- The copy of Client Registration Documents (CRD) (KYC, MCA and others forming part of Account Opening) shall be given to the new clients. In case of old clients the same shall be provided on request from the respective clients.
- A welcome letter along with the Copy of the CRD shall be sent to the clients, which may contain information like client's email id, their Unique Client Code, and other basic information.
- The documents required for the identification of the client as per the SEBI guidelines shall be taken. All the said documents shall be verified against originals.
- In case the Client registers for the F&O segment, financial details of the clients along with the material proof ascertaining the same shall be called for. The same will have to be reviewed on annual basis.
- Additional documents may be called upon in case the identity cannot be ascertained.

## 2. Order entry

- Order placing will be done by the authorized dealers only through registered terminals.
- The dealers may accept the orders on recorded telephone lines.
- The limits shall be set dealerwise (terminalwise) / clientwise from the Administration office. Further in case of any delay or default (including cheque bounce) dealers are instructed not to trade for such clients unless they deposit advance payment.
- In case where the clients have opted for online trading, the option of BSE FOW and NSE NOW online shall be given to such clients on signing the ITORS / IBT document.
- All the inbound and outbound telephone lines in the dealing rooms / offices shall be recorded. Further the activities on the dealer terminals shall be monitored from the admin office and in case of any suspicion the dealer terminal will be deactivated after due interrogation of the dealer.
- The register of Certificates shall be maintained in MS excel and the concerned approved users shall be informed one month before expiry of the certificate.

## 3. Contract Notes

- All the Contract notes will be issued from the Administration Office.
- One copy of physical contract note will be sent to the client (which will be phased out over a period as and when decided by the management) along with the Digital contracts. The confirmation of Digital Contract notes will be kept on records.
- Contract notes will be numbered on annual basis i.e. the 1<sup>st</sup> contract will start on the first day of the financial year.

## 4. Securities:

## Internal Control Procedure

- The clients having Demat Accounts in CDSL will be required to use the On-market transfer option to deliver the securities directly in the market, and in case of clients having demat account with NSDL will have to transfer the shares in the relevant settlement of the Company's Pool account with NSDL.
- Direct Pay out mechanism of the Exchanges will be used for Payout to clients demat accounts.
- Separate Own Beneficiary Account will be maintained with CDSL
- Separate Client beneficiary accounts will be maintained with both the Depositories.
- Client wise segregation of securities shall be maintained
- In cases where the clients fails to make the payment before payin date, the shares shall be held in the Company's Client Beneficiary account and the same shall be transferred to the respective client only on clearing the debit on the coming Monday after the payment is received.
- The securities held for non-payment shall be marked for the respective clients only and shall not be used for any other purpose except to transfer the same for payin on account of the said client or for transfer to the clients beneficiary account.
- Third party shares will not be introduced for payin. Incase client intimates in writing his intention of transferring the shares from his account other than that mapped with B D SHAH SECURITIES LIMITED, the request may be considered provided all the credentials of the securities are verified.

### 5. Funds:

- The payment from / to clients shall be done in the mapped bank account/s only.
- Third party payments will not be accepted. As an exception if the client makes the payment from his / her / its own account other than the one mapped with the Company, the same will be accepted only if intimated by the client in writing.
- Margins collected from the clients shall be maintained separately in client deposit account in case of BSE Cash Segment and NSE Capital Market Segment.
- In case of F&O Segments the margin received from the client will be credited to the trading account of the client and the margin requirement of the exchange with respect to the client's open position will be debited to the same account.
- The company does not provide any funding facility and the Branch, Sub-Broker, Remiser or any of the Dealing offices of the Company will directly or indirectly not offer any funding facility to the clients on behalf of the Company.
- Dividend received on account of clients shall be deposited in 'Client Account' of the Company and credit for the same shall be given to respective client. Dividend received on account of own account shall be deposited in personal account.
- In case of default from the client the security pay out shall be held in the Hold Shares account of the Company and follow up shall be done on regular intervals. Further if the client fails to pay for a long period letter shall be sent to the clients and the management at its discrete shall decide to realize the dues by selling the held securities of the Client. In case of Sub-broker clients sub-broker shall make the payment on behalf of the client and recovery procedure is the same as above. The procedure should comply with the Prudent Risk Management Policy of the Company
- Sub-Brokers / Remisers will be paid in the form of Brokerage / Commission as per the agreed terms on monthly basis by 15<sup>th</sup> day of the next month.

### 6. PMLA

## Internal Control Procedure

- Company has appointed the Principal Officer and the same is informed to FIU via email.
- Measures as per the Policy on PMLA shall be complied with.
- Clients shall be registered only after due diligence of the identity of the client is done.
- The Clients shall be categorised with respect to the Risk.
- The transactions of clients of Special Category (as per PMLA Policy) will have to be scrutinized thoroughly.
- In case of suspicious transaction the same will have to be brought to the knowledge of the Principal Officer who may further investigate and if found suspicious may inform the FIU in the prescribed format.
- The volumes of the clients shall be monitored in line with the Financial Details provided as mentioned in the PMLA Policy as well as Prudent Risk Management Policy.

### **7. Execution of POA (Power of attorney) (if applicable) -**

- The Clients having their Demat account with the Company DP Operations shall be requested to give POA for On-market Trades, Margin and pledge.
- The POA shall be specific and restricted to the BO Ids mentioned in the same.
- The Instructions issued on behalf of the Clients by the Company using POA will be auto generated and in case of manual slips the same will have to be authorized from the management.

### **8. Closure of client accounts / dormant account**

- The account closure will be executed only on the request from the client or in case of default from the client. As the system does not provide the closure of Accounts the same will be deactivated.
- In case the client account has no transaction for more than 6 months the account will be treated as dormant.
- In case any transaction is done in the Dormant account the Dealer / Sub-Broker / shall verify the identity of the client placing the order.
- On generation of alert in the Back office of Dormant Account the Compliance Officer or any of the employees of the Company shall confirm the transaction with the client on the registered telephone number or through email.
- The procedure as prescribed in the Policy regarding treatment of Inactive clients should be strictly followed.

The above Internal Control Document is subject to changes from time to time and shall be reviewed as and when there are policy changes by the Company or by the Authorities

=====**END of the Document**=====