**POLICY FOR INACTIVE ACCOUNTS:**

1. Trading Account codes in which trading is not taking place for more than 6 months are treated as Inactive Accounts.
2. After expiry of 6 months the accounts are earmarked as INACTIVE ACCOUNTS (Disabled) and shall be treated as Inactive Accounts till 12 months as such.
3. For reactivation of the inactive accounts, due verification will be done over phone to ensure that the same client is placing the order.
4. Due verification will include verification of ID proof (preferably PAN Card) if the clients personally comes to the branch office for trading and verification of Date of Birth, Father’s name, Address, PAN Details etc. over recorded phone lines, if the client places order over phone.
5. If the Inactive Account Code client places high value order, then due diligence regarding the scrip and volume of the shares will be verified along with the other details.
6. All the orders executed shall be confirmed to the client over recorded lines only.
7. For inactive accounts care shall be exercised to verify that contract notes and financial statements delivered to the clients.

**POLICY FOR OLD INACTIVE ACCOUNTS :**

1. Trading Account codes in which trading is not taking place for more than 12 months are treated as Old Inactive Accounts.
2. For reactivation of the Old Inactive Accounts, due verification will be done over phone to ensure that the same client is placing the order.
3. In case of Old Inactive Accounts, it is to be ensured that the client personally comes to the office / branch to reactivate his / her account.
4. To reactivate the account the client has to submit his ID and Address Proof with the office / branch.
5. Other Norms / Policies of the Inactive Accounts shall be followed by the company

for reactivation of the old inactive accounts.

**Policy for Inactive Clients (Dormant Accounts)**

Client status is observed on weekly basis and clients who have not trades during the last Six (6)

months are marked ‘inactive’ or ‘dormant’ in the back office and funds payable to the clients and

securities, if any, lying in the client margin account will be returned after deducting demat of any

other charges due from clients. The files uploaded on the trading servers on daily basis update the current status on the terminals. Whenever a client who is marked inactive as dormant intends to trade, the details of the client viz. Address, Contact No., Demat and Bank account etc. will be taken before executing any trade in that particular client code. In case of any changes, the updation form along with the supporting documents will be taken. In case of very old account, the entire KYC form will be required to be taken along with the other supporting documents.

**Refusal of orders for penny / illiquid stock**

The stockbroker may from time to time limit (quantity / value) / refuse orders in one or more

securities due to various reasons including market liquidity, value of security(ies), the order being for securities which are not in the permitted list of the stock broker / exchanges (s) / SEBI. Provided further that stock broker may require compulsory settlement / advance payment of expected settlement value / delivery of securities for settlement prior to acceptance / placement of order(s) as well. The client agrees that the losses, if any on account of such refusal or due to delay caused by such limits, shall be borne exclusively by the client alone. The stock broker may require reconfirmation of orders, which are larger than that specified by the stock broker’s risk management, and is also aware that the stock broker has the discretion to reject the execution of such order on its risk perception.

**Setting up clients exposure limits and conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client**

The stock broker may from time to time impose and vary limits on the orders that the client can place through the stock broker’s trading system (including exposure limits, turnover limits, limits as to the number, value and / or kind of securities in respect of which orders can be placed etc.). the client is aware and agrees that the stock broker may need to vary or reduce the limits or impose new limits urgently on the basis of the stock broker’s risk perception and other factors considered relevant by the stock broker including but not limited to limits on account of exchange / SEBI directions / limits (such as broker level / market level limits in security specific / volume specific exposure etc.) and the stock broker may be unable to inform the client of such variation, reduction of imposition in advance. The client agrees that the stock broker shall not be responsible for such variation, reduction or imposition or the client’s inability to route any order through the stock broker’s trading system on account of any such variation, reduction or imposition of limits. The client further agrees that the stock broker may at any time at its sole discretion and without prior notice, prohibit or restrict the client’s ability to place orders or trade in securities through the stock broker, or it may subject any order placed by the client to a review before its entry into the trading systems and may refuse to execute / allow execution of orders due to but not limited to the reason of lack of margin / securities or the order being outside the limits set by stock broker / exchange / SEBI and any other reasons which the stock broker may deem appropriate in the circumstances. The client agree that the losses, if any on account of such refusal or due to delay caused by such review, shall be borne exclusively by client alone. The stock broker is required only to communicate / advise the parameters for the calculation of the margin / security requirements as rate (s) / percentage (s) of the dealings, through anyone or more means or methods such as post / speed post / courier / registered post / registered AD / facsimile /telegram / cable / e-mail / voice mails / telephone (telephone includes such devises as mobile phones etc.) including SMS on the mobile phone or any other similar device by messaging on the computer screen of clients’ computer; by informing the client through employees / agents of the stock broker; by publishing / displaying it on the website of the stock broker / making it available as a download from the website of the stock broker by displaying it on the notice board of the branch /office through which the client trades or of the circumstances, so required, by radio broadcast /television broadcast / newspaper advertisements etc or any other suitable or applicable mode or manner. The client agrees that the postal department / the courier company / newspaper company and the email / voice mail service provider and such other service providers shall be the agent of the client and delivery shall be complete when communication is given to the postal department / the courier company / the email -/ voice mail service provider, etc. by the stock broker and the client agrees never to challenge the same on any other reasons whatsoever and once parameters for margin / security requirements are so communicated, the client shall monitor his / her / its position (dealing / trades and valuation of security) on his / her / its own and provide the required / deficit margin / security forthwith as required from time to time whether or not any margin call or such other separate communication to that effect is sent by the stock broker to the client and / or whether or not such communication is received by the client.

**Applicable Brokerage Rate**

The stock broker is entitled to charge brokerage within the limits imposed by exchange which at present is as under :

a. For Cash Market Segment : The maximum brokerage chargeable in relation to trades effected in the securities admitted to dealing on the capital market segment of the exchange shall be 2.50% of the contract price exclusive of Statutory levies. It is hereby further clarified that where the sale / purchase value of a share is Rs. 10/- or less, a maximum brokerage of 25 paise per share may be collected.

b. For option contracts : Brokerage for option contracts shall be charged on the premium amount at which the option contract was bought or sold and not on the strike price of the option contract. It is hereby clarified that brokerage charged on options contracts shall not exceed 2.50% of the premium amount or Rs. 100/- Per Lot whichever is higher.

**Imposition of Penalty / delayed payment**

The client agrees that any amounts which are overdue from the client towards trading or on account of any other reason to the stock broker will be charged with delayed payment charges which can be up-to 24%. The client agrees that the stock broker may impose fines / penalties for any order /trades / deals / actions of the client which are contrary to this agreement / rules /regulations / bye laws of the exchange or any other law for the item being in force, at such rates and in such form as it may deem fit. Further, where the stock broker has to pay any fine or bear any punishment from any authority in connection with / as a consequence of / in relation to any of the orders / trades / deals /action of the client, the same shall be borne by the client. The client agrees to pay to the stock broker brokerage, commission, fees, all taxes, duties, levies imposed by any authority including but not limited to the stock exchange (including any amount due on account of reassessment / backlogs etc.), transaction expenses, incidental expenses such as postage, courier etc as they apply from time to time to the client’s account / transaction / services that the client avails from the stock broker.

**The right to sell client securities or close client positions, without giving notice to the client, on account of non-payment of client’s dues**

The stock broker maintains centralized banking and securities handling processes and related banking and depository accounts at designated place. The client shall ensure timely availability of funds / securities in designated form and manner at designated time and in designated bank and depository account(s) at designated place, for meeting his / her/its pay in obligation of funds and securities. The stock broker shall not be responsible for any claim / loss / damage arising out of non availability / short availability of funds / securities by the client in the designated account(s) of the stock broker for meeting the pay in obligation of either funds or securities. If the client gives orders /trades in the anticipation of the required securities being available subsequently for pay in through anticipated payout from the exchange or through borrowings or any off market delivery (s) or market delivery(s) and if such anticipated availability does not materialize in actual availability of securities / funds for pay in for any reason whatsoever including but not limited to any delays /shortages at the exchange or stock broker level / non release of margin by the stock broker etc., the losses which may occur to the client as a consequence of such shortages in any manner such as on account of auctions / square off / closing outs etc. shall be solely to the account of the client and the client agrees not to hold the stock broker responsible for the same in any form or manner whatsoever. In case the payment of the margin / security is made by the client through a bank instrument, the stock broker shall be at liberty to give the benefit / credit for the same only on the realization of the funds from the said bank instrument etc. at the absolute discretion of the stock broker. Where the margin / security is made available by way of securities or any other property, the stock broker is empowered to decline its acceptance as margin / security and / or to accept it at such reduced value as the stock broker may deem fit by applying haircuts or by valuing it by marking it to market or by any other method as the stock broker may deem fit in its absolute discretion.The stock broker has the right but not the obligation, to cancel all pending orders and to sell/close /liquidate all open positions /securities / shares at the pre-defined squared off time or when Mark to Market (M-T-M) percentage reaches or crosses stipulated margin percentage mentioned on the website, whichever is earlier. The stock broker will have sole discretion to decide referred stipulated margin percentage depending upon the market condition. In the event of such square off, the client agrees to bear all the losses based on actual executed price. In case open positions (ie. Short / long) gets converted into delivery due to non- square off because of any reason whatsoever, the client agrees to provide securities / funds to fulfil the payin obligations failing which the client will have to face auctions or internal close outs; in addition to this the client will have to pay penalties and charges levied by exchange in actual and losses, if any. Without prejudice to the foregoing, the client shall also be solely liable for all and any penalties and charges levied by the exchange(s).The stock broker is entitled to prescribe the date and time by which the margin /security is to be made available and the stock broker may refuse to accept and payments in any form after such deadline for margin / security expires. Notwithstanding anything to the contrary in the agreement or elsewhere, if the client fails to maintain or provide the required margin/fund/security or to meet the funds / margins / securities payin obligations for the orders / trades / deals of the client within the prescribed time and form, the stock broker shall have the right without any further notice of communication to the client to take any one more of the following steps :

1. To withhold any payment of funds / securities.
2. To withhold / disable the trading / dealing facility to the client.
3. To liquidate one or more security(s) of the client by selling the same in such manner and at such rate which the stock broker may deem fit in its absolute discretion. It is agreed and understood by the client that securities here includes securities which are pending delivery / receipt.
4. To liquidate / square off partially or fully the position of sale & / or purchase in anyone or more secdurities / contracts in such manner and at such rate which the stock broker may decide in its absolute discretion.
5. To take any other step which in the given circumstances, the stock broker may deem fit.The client agrees that the loss(s) if any, on account of anyone or more steps as enumerated herein above being taken by the stock broker, shall be borne exclusively by the client alone and agrees not to question the reasonableness, requirements, timings, manner, form, pricing etc., which are chosen by the stock broker.

**Shortage in obligation arising out of internal netting of trades**

Stock broker shall not be obliged to deliver any securities or pay any moneyh to the client unless and until the same has been received by the stock broker from the exchange, the clearing corporation /clearing house or other company or entity liable to make the payment and the client has fulfilled his/ her / its obligation first. The policy and procedure for settlement of shortages in obligations arising out of internal netting of trades is as under L

1. The securities delivered short are purchased from market on T + 3 day which is the auction day on exchange and the purchase consideration (inclusive of all statutory taxes & levies) is debited to the short delivering seller client.
2. If securities cannot be purchased from market due to any reason whatsoever on T + 3 day they can be covered from the market on any subsequent trading days. In case any reason whatsoever (any error or omission) any delay in covering of securities leads to higher losses, stock broker will not be liable for the same. Where the delivery is matching partially or fully at the Exchange Clearing, the delivery and debits . credits shall be as per Exchange debit and credits.
3. In cases of securities having corporate actions all cases of short delivery of cum transactions which cannot be auctioned on cum basis or where the cum basis auction payout is after the book closure / record date, would be compulsory closed out at higher of 10% above the official closing price on the auction day or the highest traded price from first trading day of the settlement till the auction day.

**KYC**

SEBI had issued the Guidelines on Know Your Customer (KYC) standards and Anti Money Laundering Act (AML) measures vide their notification no. ISD/CIR/RRJAML/1/06 dated 18th January, 2006.

Customer Acceptance Policy

* Each client should be met in person: Company would accept client / s from whom we are able to meet personally. Either, the client should visit he office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filled in and signed.
* Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client or employee. In case of accounts opened in the name(s) of NRI of FNs. (If the Company cannot personally verify the NRI/FN client), the Company/KYC Team shall ensure the photocopies of all the KYC documents/proofs and PAN card are attested by Indian Embassy or Consulate General in the Country where the NRI or FN resides. The attesting authority affix a "verified with originals" stamp on the said documents. The photocopies of the KYC documents and PAN card should be signed by NRI/FN. If the NRI or FN comes in person to open the account, the above attestation are required may be waived.
* Accepts client on whom Company is able to apply appropriate KYC procedures : Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.
* Do not accept clients with identity matching persons known to have criminal background: Check whether the client's identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide. To check the same, the data available in the public domain may be referred.

KYC team shall check following before admitting any person as client:

1. Client PAN should be checked in for SEBI debar list, Politically Exposed Person list etc.
2. Be careful while accepting Clients of Special category: We should be careful while accepting clients of special category like NRIs,HNIs,Trust, Charities,NGOs,Politically Exposed Persons (PEP) persons of foreign origin, companies having closed shareholding/ ownership,companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non-face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma,etc). Scrutinize minutely the records/documents pertaining to clients belonging to aforesaid category .

**General precautions:**

1. Do not accept client registration forms which are suspected to be fictitious.
2. Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
3. Do not compromise on submission of mandatory information/documents.
4. Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines.
5. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.
6. Client of Special Category should be categorized as high risk client.
7. The Company/employees shall closely examine the transaction in order to ensure that they are consistent with Client business and risk profile.

**Risk Management System Policy**

1. The Company has proper RMS department at its Corporate office situated at **40/62 Ground Floor, Chittaranjan Park New Delhi 110019.**
2. The Company has the system to provide limits for trading based on the margin of the client available with the company in the form of funds / securities.
3. For the purpose of opening of trading limits, 20 -50 % haircut is taken on the value of securities according to the group of securities.
4. Full value of the funds of the clients available with the company is considered for the purpose of opening of the trading limits.
5. Sometimes limits are given to the clients on the basis of uncleared cheques on case to case basis depending on the financial health / previous track record of the client.
6. In cash segment an intra day limit of 5-8 times of the margin available is given to the client.
7. In case of delivery transactions, funds is required to be deposited by the client equal to the amount of delivery on T+2 basis.
8. For F & O transaction, the company takes proper margin from clients as per stock exchange norms in the form of funds/Securities and report the same to the exchange in due course.
9. For online monitoring of F&O transactions V-Tech software is installed, which gives clear indications of the M to M losses client wise.
10. In F& O Segment trading M to M and Margin on the outstanding positions are informed to the clients on daily basis through SMS / E-mail.
11. Clients will be intimated as soon as MTM loss reaches 50% of the available funds. In this case company demands the additional margin from the client failing which it may reduce the position.
12. The Company has dedicated staff to online monitor all M to M profits / losses of the client. If the RMS head sees that the M to M losses of the client are 80% or more of the Fund / Securities of the clients, the F & O position/s of the client is/are squared off with proper intimation to the client.
13. Contract Notes / margin statements for the transactions executed by the clients are sent to them through e-mail on daily basis.
14. All the outstanding positions of the previous day are taken in back office & V-Tech software at the beginning of the day.
15. Payment control Report for debit recovery from the clients is made on daily basis and follow-up for the payment on regular basis done by RMS department.
16. All sticky client codes are brought in the knowledge of management regularly.
17. The employees who are directly involved in trading activities of the company are not allowed to trade on his/her own account. But sometimes if an employee wish to take delivery of security, he/she is allowed only after prior approval of the management.

**Internal Policy w.r.t NISM Series VII – Securities Operation & Risk Management (SORM)**

**Reference :**

1. SEBI Notification No. LAD-NRO/GN/2010-11/21/29390 published in the Gazette of India on 10/12/2010
2. NSE Circular No. NSE/INSP/16536 dated December 15, 2010
3. NSE Circular No. NSE/INSP/ 27495 dated September 2, 2014
4. BSE Notice No. 20101215-19 dated December 15, 2010 .
5. BSE Notice No. 20140902-8 dated September 2, 2014

# Brief :

SEBI issued Notification No. LAD-NRO/GN/2010-11/21/29390 dated December 10, 2010 according to which, following categories of associated persons i.e. persons associated with a registered stock broker / trading member / clearing member in any recognized stock exchanges, who are involved in, or deal with any of the following

* 1. Assets or funds of investors or clients
  2. Redressal of investor grievances
  3. Internal control or risk management
  4. Activities having a bearing on operational risk
* Shall be required to have a valid certificate of NISM Series VII – Securities Operation & Risk Management (SORM) from National Institute of Securities Market (NISM). NSE & BSE has also issued circulars requesting the members to comply with the requirement of said SEBI Notification.

# Need for Policy :

DRISHTI SHARES & INVESTMENTS PVT LTD being a stock broker of National Stock Exchange of India (NSE), Bombay Stock Exchange (BSE) and MULTI COMMODITIES EXCHANGE (MCX), provisions of the aforesaid requirement is applicable to all its employees involved in the activities as mentioned above.

# Definition of Associated Person :

**“Associated Person”** means a principal or employee of an intermediary or an agent or distributor or other natural person engaged in the securities business and includes an employee of a foreign institutional investor or a foreign venture capital investor working in India

# Internal Policy w.r.t NISM Series VII – Securities Operation & Risk Management (SORM):

As required in the aforesaid notifications of SEBI, All existing persons associated with DRISHTI SHARES & INVESTMENTS PVT LTD” as on date of publication and engaged in deal with

1. Assets or funds of investors or clients
2. Redressal of investor grievances
3. Internal control or risk management
4. Activities having a bearing on operational risk

* Shall obtain the valid certification of NISM Series VII – Securities Operation and Risk Management (SORM) within two years from the date of such notification. Simultaneously, whenever “DRISHTI SHARES & INVESTMENTS PVT LTD” employs any associated person specified as mentioned above, the said associated person shall obtain valid certification of NISM Series VII – Securities Operation and Risk Management (SORM) within one year from the date of his / her employment.

# Exemption :

Associated persons handling the basic clerical / elementary functions in the aforesaid specified areas shall be exempted from obtaining the certification of NISM Series VII – Securities Operation and Risk Management (SORM). For this purpose, “DRISHTI SHARES & INVESTMENTS PVT LTD” considers following activities as basic elementary level / clerical level.

# Internal Control or Risk Management

1. Inwarding of collateral’s / Cheques
2. Person performing market entries
3. Maker entry in the database
4. Photocopying, printouts, scanning of documents
5. Preparing of MIS
6. Sending of letters / reports to clients, Exchanges, SEBI
7. Attending Calls, etc.

# Redressal of Investor Grievances

1. Inwarding of complaints
2. Seeking documents from clients
3. Person performing maker entries
4. Maker entry in the database
5. Photocopying, printouts, scanning of documents
6. Preparing of MIS
7. Sending of letters / reports to clients, Exchanges, SEBI Updation, data entry, uploading on SCORES
8. Attending calls, etc

# Activities having a bearing on operational risk and dealing with assets of funds of investors of clients

1. Person performing maker entries
2. Maker entry in the database
3. Preparing of MIS
4. Generating of reports, Files
5. Photocopying, printouts, scanning of documents
6. Dispatching documents to clients
7. Sending of letters / reports to clients, Exchanges, SEBI
8. Attending calls, etc

# However, any of the work (as stated herein above) being performed by such persons, obtaining NISM-SORM Certification shall be optional provided that they are supervised by his / her supervisor who shall have to obtain / continue to have NISM – SORM Certification or such other prescribed certification at all times.

In case of any query, employees are requested to obtain clarification from the Compliance Officer of the Company.

Note : This policy has been considered and adopted by the Board of Directors of the erstwhile Company

**SURVEILLANCE POLICY**

The company has laid down policy guidelines which have been framed in the light of National Stock Exchange (NSE) Circular No. : 831/2013 Ref. No. : NSE/INVG/22908. In pursuance of above said circular DRISHTI SHARES & INVESTMENTS PVT LTD is implementing this surveillance policy applicable to all clients of DRISHTI SHARES & INVESTMENTS PVT LTD.

**Objective of this policy**

i. To establish a surveillance mechanisms and controls in the operations /trading activity of DRISHTI SHARES & INVESTMENTS PVT LTD clients.

ii. To put in place appropriate controls for the detection and reporting of suspicious trading activities in accordance with applicable laws/laid down procedures.

iii. To comply with applicable laws and regulatory guidelines.

**Duties and Responsibilities**

This Surveillance policy is approved by the Board of Directors of DRISHTI SHARES & INVESTMENTS PVT LTD and A quarterly MIS shall be put up to the Board on the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed off during the quarter and pending at the end of the quarter. Further, reasons for pendency alongwith appropriate action taken to resolve them shall be discussed. Board shall be apprised of any exception noticed during the disposition of alerts.

Designated directors/ Compliance officer shall be the responsible for all surveillance activities carried out by DRISHTI SHARES & INVESTMENTS PVT LTD, maintenance of record and reporting of such activities.

Internal auditor of DRISHTI SHARES & INVESTMENTS PVT LTD shall review the surveillance policy, its implementation, effectiveness and the alerts generated during the period of audit. Internal auditor shall record the observation with respect to the same in their report.

**Transaction Alerts**

DRISHTI SHARES & INVESTMENTS PVT LTD surveillance desk shall download all the below mentioned alert based on the trading activity of client provided by the exchange vide Circular No. : 831/2013 Ref. No. : NSE/INVG/22908.

|  |  |  |
| --- | --- | --- |
| **S. No.** | **Transaction Alerts** | **Segment** |
| **1** | Significantly increase in client activity | Cash |
| **2** | Sudden trading activity in dormant account | Cash |
| **3** | Clients/Group of Client(s), deal in common scrips | Cash |
| **4** | Client(s)/Group of Client(s) is concentrated in a few illiquid scrips | Cash |
| **5** | Client(s)/Group of Client(s) dealing in scrip in  minimum lot size | Cash |
| **6** | Client / Group of Client(s) Concentration in a scrip | Cash |
| **7** | Circular Trading | Cash |
| **8** | Pump and Dump | Cash |
| **9** | Wash Sales | Cash & Derivatives |
| **10** | Reversal of Trades | Cash & Derivatives |
| **11** | Front Running | Cash |
| **23** | Concentrated position in the Open Interest / High Turnover concentration | Derivatives |
| **13** | Order book spoofing i.e. large orders away from | Cash |

**Clients Due Diligence**

DRISHTI SHARES & INVESTMENTS PVT LTD shall carry out the Due Diligence of client(s) on a continuous basis and shall update all the KYC parameters as prescribed by SEBI and latest information of the client in Unique Client Code (UCC) database of the Exchange.

**Analysis:**

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips identified based on above alerts, the DRISHTI SHARES & INVESTMENTS PVT LTD shall require to:

1. DRISHTI SHARES & INVESTMENTS PVT LTD shall require explanation from such identified Client(s) / Group of Client(s) for entering into such transactions as enclosed the **Format (Form No.- ).**
2. DRISHTI SHARES & INVESTMENTS PVT LTD shall require documentary evidence such as bank statement / demat transaction statement or any other documents .In case of funds, DRISHTI SHARES & INVESTMENTS PVT LTD shall require Bank statements of the Client(s) / Group of Client(s) from which funds pay-in have been met, to be sought. In case of securities, DRISHTI SHARES & INVESTMENTS PVT LTD shall require demat account statements of the Client(s) / Group of Client(s) from which securities pay-in has been met, to be sought.

**Note\*** The period for such statements may be at least +/- 15 days from the date of transactions to verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.

1. DRISHTI SHARES & INVESTMENTS PVT LTD shall analyze the documentary evidences, including the bank / demat statement, DRISHTI SHARES & INVESTMENTS PVT LTD shall record its observations for such identified transactions or Client(s) / Group of Client(s).
2. In case adverse observations are recorded, DRISHTI SHARES & INVESTMENTS PVT LTD shall report all such instances to the Exchange within 45 days of the alert generation.
3. In case of extension is required, DRISHTI SHARES & INVESTMENTS PVT LTD shall send a request to exchange for a period of extension.
4. If explanation on the same shall not satisfactory / reply shall not receive within time period as above mentioned then DRISHTI SHARES & INVESTMENTS PVT LTD suspend the client from trading / report the instance to Regulators (if suspicious).

**Policy for Unauthentic news circulation**

In view of SEBI Circular Cir/ ISD/1/2011, dated March 23, 2011 and Cir/ISD/2/2011 dated March 24, 2011 on the subject ‘Unauthenticated news circulated by SEBI registered market intermediaries through various modes of communication the company has decided to adopt following Internal checks :

* Company permits the usage of Internet in office premises for official purposes only.
* No websites other than the websites of Company, Exchanges, Banks, SEBI, NSDL/CDSL, Income Tax etc shall allowed to be accessed in office premises.
* Social Networking sites, chats, messengers SMS messaging shall not be allowed on office computers.
* Emails Accounts created on company domain shall be used for official purpose only.
* If any employees possess any price sensitive information about ant stock same shall be bought to the notice of the compliance officer and in no case same shall be passed on to any client or acted upon by the employee to take exposure in his / his relatives accounts.
* As a policy company does not give any stock specific recommendation to any of the clients of the company and all employees are expected not to give any such recommendation whether gained in company of from outside.

**Error Account Policy**

1. The modification to the client code is to be done only in exceptional cases, not as a

routine one.

2. The reason for modification has to be ascertained and analyzed and genuineness is to be

established and also it’s impact on the clients should be studied before the modification. If

voice recording is in practice, the same is being studied.

3. Normally as a principle, we are permitted to change client codes of non-institutional clients

only for the following objective criteria;

a. Error due to communication and/or punching or typing such that the original client

code/name and the modified client code/name are similar to each other.

b. Modification within relatives (Relative for this purpose would mean ‘Relative’ as

defined under sec. 6 the Companies Act, 1956).

4. For easy identification of error account, we register a fresh client code as “ERROR” in the

UCC database of the Exchange for the account which is classified as error account.

5. We will inform the Exchange by end of day, the reasons for modification of

client codes of non-institutional trades based on the aforesaid objective criteria.

6. Therefore it is imperative that the issue should be reported to the senior level

Manager/Director and only with his approval, the modification should be carried after being

satisfied that it is genuine, the same is required to be done to protect the interests of the

client.

7. Hence the facility to modify the client codes should be available only at the Corporate

Manager level and should not be given to the branches/franchise/sub-brokers.

8. Training program should be conducted to all the Dealers and they should be explained how

code modifications can be misused and what steps should be taken to avoid the same. It

also should be explained that code modifications should not be encouraged to the clients

except for cases like ‘punching errors’/’typing errors.

**CLIENT CODE MODIFICATION (CCM) POLICY**

1. Client code modification will only be done if the code is wrongly punched by the dealer.
2. Client Code Modification to be done within the time prescribed by the Exchange
3. A separate “Error Code” will be opened with the exchange. All the error transactions (wrong punching)s will be transferred in the Error Code.
4. The wrong punching shall be settled I the Error code only.
5. If frequent changes are observed in any particular client code, the matter to be reported to the management by the compliance department.
6. If there are high value transactions then it is to be pre informed to the management of the company.
7. All the policies of the client code modification to be adhered to.
8. That all the client code modification shall be carried by the head trading department in consultation with compliance officer.

**POLICY FOR PRE-FUNDED INSTRUMENTS**

1. The firm will primarily accept funds from the clients by account payee cheque only.
2. If the client wants to pay any fund by demand draft/pay order, then he must give a duly signed declaration form that the demand draft/pay order has been made out of his own funds.
3. If the client wants to pay any fundby demand draft/pay order for Rs. 50000 or more, then he shall get a declaration/certificate from the bank that the demand draft/pay order has been made by the respective bank.
4. In case of electronic funds transfers like RTGS/NEFT , the clients may also submit the screenshot from the bank’s website clearly indicating the bank details to identify the source from where the funds are transferred.
5. The payment of fund through demand draft/pay order will only be considered when the demand draft/pay order will be realized.
6. Documentary Evidence in support of issuance of pre funded instrumentfrom the bank account of the client which may include:

* Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
* Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
* Certified copy of the passbook/bank statement for the account debited to issue the instrument.
* Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument

**Anti Money Laundering Policy**

**1. Background**

1.1. Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18th January 2006, vide letter No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 and vide Circular number CIR/MIRSD/1/2014 dated March 12th, 2014 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI.

**2. What is Money Laundering?**

2.1. Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins.

2.2. This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

**3. Prevention of Money Laundering Act, 2002**

3.1. Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005.

3.2. The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) - INDIA

**4. Financial Intelligence Unit (FIU) – INDIA**

4.1. The Government of India set up Financial Intelligence Unit-India (FIU-IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

4.2. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

**5. Policy of Drishti Shares & Investments Private Limited**

5.1. Drishti Shares & Investments Private Limited(DSI)has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002.

This policy is applicable to Drishti Shares & Investments Private LimitedEmployees, Sub-Brokers and Authorised Persons (AP).

**6. Objective of these Guidelines**

6.1. The purpose of this document is to guide all the employees of DSI, Its associates (AP/Sub Brokers) and employees of its associates on the steps that they are required to take and implement to prevent and identify any money laundering or terrorist financing activities. It shall be the responsibility of each of the concerned employees that they should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of these measures and the requirements as enshrined in the “Prevention of Money Laundering Act, 2002”.

6.2. Some of these suggested measures may not be applicable to every circumstance or to each department, Branch / Sub-broker. However, each entity should consider carefully the specific nature of its business, type of customer and transaction to satisfy itself that the measures taken by the employees are adequate and appropriate to follow the spirit of these guidelines.

**7. Implementation of this Policy**

7.1. Mr. Narender Kumar Khurana – Compliance Officer will be the Principal Officer who will be responsible for

* Compliance of the provisions of the PMLA and AML Guidelines
* Act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions
* Ensure that EWAL discharges its legal obligation to report suspicious transactions to the concerned authorities.

7.2 Mr Gautam Dutta Munsi, Director is designated as Director for supervision of effective implementation of Internal Controls and Procedures required under the “Prevention of Money Laundering Act, 2002”.

7.3. The main aspect of this policy is the Customer Due Diligence Process which means:

* Obtaining sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted.
* Verify the customer’s identity using reliable, independent source document, data or information.
* Conduct on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client’s background/financial status, its activities and risk profile.

7.4. The Customer Due Diligence Process includes three specific parameters:-

* Policy for Acceptance of Clients
* Client Identification Procedure
* Suspicious Transactions identification & reporting

**8. Customer Acceptance Policy**

**8.1. While accepting any new client following procedures / checks must be adhered to namely;**

1. ***Each client should be met in person***: Accept client whom we are able to meet personally. Either the client should visit the office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filled in and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client.
2. ***Accepts clients on whom we are able to apply appropriate KYC procedures:*** Obtaincompletes information from the client. It should be ensured that the initial forms taken by the clients are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the ‘Know Your Client’ guidelines are followed without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.
3. ***Do not accept clients with identity matching persons known to have criminal background***: Check whether the client’s identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide.
4. ***Be careful while accepting Clients of Special category***: We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma etc). Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category.
5. ***Guidelines on Identification of Beneficial Ownership:*** For non-individual customers as part of the due diligence measures, sufficient information must be obtained for identification of ultimate natural person(s) who beneficially own or control such entity. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should be identified and verified using client identification and verification procedures as early as possible. The beneficial owner is the natural person or persons who ultimately own, control, or influence a client and/or persons on whose behalf a transaction(s) is/are being conducted. It includes persons who exercise ultimate effective control over a legal person or arrangement.
6. ***Do not accept client registration forms which are suspected to be fictitious***: Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
7. ***Do not compromise on submission of mandatory information/ documents***: Client’s account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance

**8.2. Customer Identification Procedure (FOR NEW CLIENTS)**

***Objective***: To have a mechanism in place to establish identity of the client along with firm proof of address to prevent opening of any account which is fictitious / benami / anonymous in nature.

**8.2.1. Documents which can be relied upon:**

1. *PAN Card*: PAN card is mandatory and is most reliable document as only one card is issued to an individual and we can independently check its genuineness through IT website

.

1. *IDENTITY Proof*: PAN Card itself can serve as proof of identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter’s Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card.
2. *ADDRESS Proof*: For valid address proof we can rely on Voter’s Identity Card, Passport, Bank Statement, Aadhaar Letter, Ration card and latest Electricity/telephone bill in the name of the client.

**8.2.2. Documents to be obtained as part of customer identification procedure for new clients:**

***a. In case of individuals, one copy of the following documents have to be obtained :***

* As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card copy with the original. Please put “verified with original” stamp as proof of verification.
* Other proofs for identity are Voter’s Identity card, Passport, Ration Card or any Government/ PSU/ Bank issued photo identity card or any other document prescribed by the regulatory authorities
* Address proof in the form of Voter’s Identity Card, Passport, Bank Statement, Ration card and latest Electricity/ telephone bill in the name of the client or any other document prescribed by the regulatory authorities.
* Copy of the bank account statement/ Pass Book
* Copy of the demat account statement/ DP client master
* Proof of financial details

***b. In case of corporates, one certified copy of the following documents must be obtained:***

* Copy of the Registration/Incorporation Certificate
* Copy of the Memorandum & Articles of the Association
* List of Directors, Copy of their PAN cards, Address Proofs, and the Director Index No. (DIN) and acknowledged copy of Form 32 for their appointment
* Copy of the latest audited Annual Statements of the corporate client
* Latest Net worth Certificate
* Latest Income Tax return filed.
* Board Resolution for appointment of the Authorized Person who will operate the account.
* Photograph, Proof of address and Proof of Identity of all the persons authorized to deal on behalf of corporate
* List of Shareholders
* Copy of the bank account statement / Pass Book
* Copy of the demat account statement / DP client master

1. ***In case of partnership firm one certified copy of the following must be obtained:***

* Registration certificate
* Partnership Deed
* List of Partners, PAN card and address proofs of partners
* Authorization letter for the person authorized to open and operate the account
* Photograph, Proof of address and Proof of Identity of all the persons authorized to transact on behalf of firm
* Annual statement/returns of the partnership firm
* Copy of the bank account statement / Pass Book
* Copy of the demat account statement / DP client master

1. ***In case of a Trust, one certified copy of the following must be obtained:***

* Registration certificate
* Trust Deed
* PAN card
* Authorization letter for the entity authorized to act on their behalf
* Photograph, Proof of address and Proof of Identity of all the persons authorized to transact on behalf of the Trust.
* Copy of the bank account statement / Pass Book
* Copy of the demat account statement / DP client master

1. ***In case of unincorporated association or a body of individuals, one certified copy of the following must be obtained:***

* Resolution of the managing body of such association or body of individuals
* PoA in favour of person authorized to transact
* Officially valid documents like PAN card, voters ID, passport, etc of the person(s) authorized to transact
* Any document required by depository to establish the legal existence of such an association or body of individuals.

1. ***In case of an NRI account - Repatriable/non-repatriable, the following documents are required:***

* Copy of the PIS permission issued by the bank
* Copy of the passport
* Copy of PAN card
* Proof of overseas address and Indian address
* Copy of the bank statement
* Copy of the demat statement
* If the account is handled through a mandate holder, copy of the valid PoA/mandate

**8.3. General Guidelines**

* Always check original documents before accepting the copies
* Obtain the latest photograph of account holder/ authorized person(s)
* Check for latest IT return of the client/ Net worth Certificate for ascertaining the financial status of the client to know the client suitability of the product being sold to the client
* Review the above details on-going basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer’s source of funds.
* Scrutinize the forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, ask for any additional details like salary slips, etc. to satisfy yourself whenever there is a doubt.
* For scrutiny / background check of the clients, websites such as www.watchoutinvestors.com should be referred. Also, Prosecution Database / List of Vanishing Companies available on www.sebi.gov.in and RBI Defaulters Database available on www.cibil.com can be checked.
* Keep watch on the welcome kits returned with reason - undelivered. Compliance Officer should be alerted, client be contacted immediately on telephone and the trading, if suspected, should be suspended
* Employee of DSI should not preferably sign as witness on the CRF
* If Employee of DSI introduces the client, exact relation of the client with such employee should be documented.

**8.4. For all Existing clients**

8.4.1. On an on-going basis, the branches / APs / Sub Brokers must ensure that the details given in the KYC, by the client, matches with the current details of the client. If required, we can seek additional documents/information from the client to verify the financial/general status of the client.

8.4.2. In cases where:

* There is any material negative change in the financial details of the client from what is given in the KYC.
* If the client is not contactable/traceable or contracts notes/ communications sent are received back undelivered.
* In case the client is prohibited by any regulatory authority.
* The client refuses to provide additional information/document asked for.
* There is a material change in the mandate holder profile/details

the fact should immediately be brought to the notice of the Compliance Officer, who will, in turn, discuss the same with the Principal Officer to decide on the necessary course of action, including reporting to FIU.

**9. Risk Profiling of the Client**

9.1. We should accept the clients based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as Low risk, medium risk and high risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk client we have to apply higher degree of due diligence. The factors of risk perception depend on client’s location, nature of business activity, turnover, nature of transaction, manner of payment etc.

9.2. In order to achieve this objective, all clients of the branch should be classified in the following category :

1. Category A – Low Risk
2. Category B – Medium Risk
3. Category C – High risk

9.2.1. Category A clients are those pose low or nil risk. They are good corporate/HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.

9.2.2. Category B clients are those who are intra-day clients or speculative clients, who insist on maintaining running account with DSI.

9.2.3. Category C clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

9.3. We have to be careful while monitoring the transactions of B and C category clients.

9.4. Apart from this we need to exercise extra caution while monitoring the transactions of NRI/ NRE/ PIO and foreign clients, especially when the payment is being made in foreign currency.

9.5. Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned branch officials, and reported to the Compliance Officer immediately.

**9.6. Mandate Holder Policy**

9.6.1. The primary objective of this policy is to ensure that we are aware as to who is the ultimate beneficiary of the transaction and that the transactions executed, through the mandate holder are bonafide.

9.6.2. It is possible that some of the individual clients might appoint a mandate holder. Normally the trading account is opened in the name of various family members and one the family member will hold the mandate. Also, in case of some NRI clients who are based abroad, there may be on a PoA/ Mandate in favour of a person residing in India.

9.6.3. Whenever any account is operated by a mandate holder, find out the relationship of the mandate holder with the client, followed by establishing the identity of the mandate holders by obtaining proof of identity and address.

9.6.4. Do not accept any payment from the account of mandate holder in favour of the client. All the payments have to be received from the client’s bank account only for which the PoA holder may or may not have the mandate to operate the bank account. Similarly pay-out cheques should be issued only in the name of the client and not in the name of the mandate holder.

9.6.5. In case there is suspicion on the relationship between the mandate holder and the actual client or in case behavior of the mandate holder is suspicious, do take necessary advice from the Compliance Officer.

**10. Roles**

10.1.Relationship Manager/ Dealer/ Branch Manager/ Branch Coordinator/ Compliance Officer

* The RM/ Dealer/ BM/ Coordinator should meet the client in person at least once before opening the account at the address given by the client. In the process he may reasonably verify the living standards, source of income, financial status, etc. of the client and ensure that the details mentioned in the CRF (Client Registration Form) matches with the actual status.
* If the client is a ‘walk-in client’, then the concerned branch official should make independent verification about the background, identity and financial worthiness of the client.
* All mandatory proofs of identity, address and financial status of the client must be collected as prescribed by the regulatory authorities, from time to time. The proofs so collected should be verified with the originals. If the prospective client is refusing to provide any information do not forward his/ her account opening form to HO.
* IN PERSON VERIFICATION can be done by SUB BROKER/ AP for clients introduced by them.
* The Compliance Officer has to be completely satisfied about the background, genuineness and financial status of the client before recommending for opening the account. If required, the Compliance Officer may seek additional information/documents from the client.
* If the account is to be handled by a PoA / Mandate holder, then find out what is the relationship between the client and the PoA/ Mandate holder, establish the identity and background of the client and the PoA/ Mandate holder (by obtaining the required documents) and ensure that the PoA/ Mandate Holder has the proper authorization.
* In case of a corporate account, the branch officials should ensure that the authorized person has got the required mandate by way of Board Resolution. Also, the identity and background of the authorized person has to be established by obtaining the required documents.
* Foreign clients can deal in Indian market only to sell the shares allotted through ESOP or buy/sell as a ‘foreign direct investment’. We cannot deal for foreign clients under any other circumstances.
* Please consult the Compliance Officer before dealing with any NRE, NRO, PIO or foreign clients.

10.2. **Risk Management & Surveillance Team**

Risk Management & Surveillance Team (RMS) gives exposure to clients based on margin available in the system and clean exposure to selected clients based on recommendations of the Business Managers. It is also the duty of RMS to validate such exposures with the financial details provided by the client in KYC forms. Where there is a trading activity of the client, which is not commensurate with the financial details declared by the client, it should be analyzed and referred to the Principal Officer with reasons of suspicion.

**Monitoring Of Transactions**

* + Scrutinize unusually large transactions like, clients having traded in scrip/ shares of a company for a quantity of 20,000 or more in a single day and volume in that scrip of that client is 25% or more of the total volume in that scrip of the Exchange.
  + Check trade log for indication of negotiated trades (if any)
  + Check for any relation of the client with the company/ directors/ promoters.
  + Check previous trading pattern of the clients in that particular scrip.
  + Scrutinize bulk deal transactions by sample check. A ‘bulk’ deal constitutes transaction in a scrip (on each Exchange) where total quantity of shares bought/ sold is more than 0.5% of the number of equity shares of the company listed on the Exchange
  + Select randomly few clients and pick their few transactions and scrutinize to check whether they are of suspicious nature or not.
  + If substantial increase in turnover in a dormant account is found, should be brought into the notice of the senior management. Review balances and trading in the dormant accounts. Be vigilant on the movement of credit balances of the dormant account.
  + Analysis is carried out by RMS to identify clients with huge and regular losses and are still placing trades/ orders. Identify the Sources of funds in such cases.
  + Analysis be also carried out in respect of disproportionate profit/ loss booked by a client trading in “F&O” segment vis-à-vis the value of the contract in illiquid scrips/ derivatives
  + Suspicious transactions to include ‘transactions integrally connected’ as well as ‘transactions remotely connected or related’

**Parameters for analyzing the transactions:**

* + Analysis of top clients in terms of turnover
  + On a periodic basis identify top 100 clients on descending order of turnover and ascertain whether the same matches with the financial status of the client. Moreover, analyze whether there is commensurate fund movement, whether the payments are being made, in cheque and from the bank account(s) of the clients registered with DSI etc. To the extent possible, obtain the latest Income Tax return of the client to ascertain the financial capacity of the client.
  + Analysis of top client in terms of increase in turnover
  + On a periodic basis identify the top 100 clients, on descending order of increase in turnover over a threshold amount of Rupees One Crore. Then analyze whether the same matches with the financial status of the client, whether there are commensurate funds movement, whether the payments are being made through cheque from the bank account(s) of the client, etc. To the extent possible, we need to obtain the latest Income Tax return of the client to ascertain the level of income of the client.
  + Matched trades (where the buy and sell clients are with the same broker) on a daily basis to identify whether there is any buy and sell order from same/ different branches of DSI in B1, B2 & group and penny stocks. Further analyze whether the client are indulging in any sort of manipulation like shifting of profits from one account to another, creating artificial volumes, circular trading, indulging in price manipulation, shifting the beneficial ownership of shares, etc.
  + Analysis of trades in stocks less than Rs.10/- and beyond a specific quantity.
  + On a daily basis analyze the trades done in penny stocks (stocks less than Rs.10/-). This will help us in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading etc.
  + Client concentration in particular scrip or select scrips
  + On a periodic basis, ascertain whether any client is concentrating on any particular scrip, especially liquid and penny stocks. This will help in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc. or is having insider information.
  + Analysis of trades in illiquid counter (illiquidity can be with reference to the average volume in the scrip over the last 3 months below a particular level)
  + A daily analysis of the client’s volume with respect to the total traded volume at the exchange has to be done. (TTQ analysis). This will help in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc.
  + Trades shifted from one client to another within the same branch/ AP/ Sub Broker.
  + On a daily basis, analyze the details of trade shifted from one client to another, either during the market hours or after the market hours. This will help us in identifying whether the client is trying to hide his identity, indulging in profit/ loss transfer, availing exposure while in debit balance, etc.
  + Undertake a periodic analysis of the trades executed by NRI/ Foreign clients/ institutional clients. It should be supplemented by analysis of the payment patterns, trading patterns, etc.
  + With respect to the institutions, analyze all the cancelled trades and DVP trades to see whether the institutional code is being misused. In such cases, also ascertain who the ultimate beneficiary of the trades.
  + Analysis of client payments in DD, Pay order, cash etc.
  + Undertake a periodic analysis of all the payments received from client by way of DD/ Pay order. This will help in ascertaining whether any client’s DD/ Pay Orders have been purchased against “Cash” or might whether any client is making third party payments. The third party payments can relate to employees also.
  + Trades undertaken in the employees or sub broker’s/ APs in their own trading account. It is possible that the employees/ sub brokers might be accepting cash from the clients and execute the trades in their account. Similarly, it is possible that the profit on trades of the clients being shifted to the employees/ sub broker’s accounts.
  + Periodic analysis of change/ modification in client details like bank account, demat account, address, etc to identify the clients who are making frequent changes and to ascertain whether the client trying to hide or confuse his identity.

**10.3. Role of Sub Brokers/ APs Team**

**Monitoring of Proprietary Transactions of Sub Brokers/ APs:**

* + For scrutiny/ back ground check of the Franchisee, websites such as www.watchoutinvestors.com should be referred. Also, Prosecution Database/ List of Vanishing Companies available on [www.sebi.gov.in](http://www.sebi.gov.in/)
  + Check for high volume in proprietary account of Sub Brokers/ APs/ Sub-broker and his/ her relations.
  + Scrutinize Demat account of Sub Brokers/ APs/ Sub Broker ( if DP account is with DSI )
  + List all off market transfers and if in doubt seek explanation from concerned Sub Brokers/ APs separately
  + Check for third party funds (cheques received from bank accounts other than mapped bank accounts and demand drafts/ pay orders)

**10.4. Role of Human Resource Department**

- The Human Resource Department and other Department Heads involved in hiring new employees should have adequate screening procedure in place to ensure high standards in hiring new employees.

- Bona fides of employees are checked to ensure that the employees do not have any link with terrorist or other anti-social organizations.

- Not only Know Your Customer (KYC) policy but also “Know Your Employee” procedures should be in place.

- All employees need to submit self attested copies of all identification documents namely Identity Proof, Address Proof, Photograph, Educational documents and same should be verified with originals by HRD officials under their seal and signatures.

**10.5. Role of Sales Team**

**-** Being in the field, they have market intelligence about potential mischief makers which should be brought to the notice of Compliance Officer, Legal and RMS Team.

**10.6. Role of Legal Department**

- KYC forms and other documents drafted should invariably have undertaking from the client that he is not indulging in or has not been associated with any money-laundering activity or terrorist activity and that he has not been convicted of any fraud/ offence/ crime by any regulatory authority existing in the country.

* All disclosure documents should have notice to the client informing about company’s right to obtain and disclose any information about the client to the competent authority as may be required.

**10.7. Role of Training Division**

- Briefings to new employees at induction programs and rounds of small meetings and presentations at branch locations.

- Adequate training should be given to all the concerned employees to (a) ensure that the contents of the guidelines are understood and (b) develop awareness and vigilance to guard against money laundering and terrorist financing.

- As of now, AML policy is covered during the induction training given to all new recruits and also during the on-going compliance sessions conducted periodically.

**10.8. Role of Internal Audit**

- This Policy will be reviewed regularly by the Internal Audit Head for its effectiveness since the person reviewing the policy should be different from the person framing the policy.

**11. Cash Transactions**

As a policy DSI do not accept cash against settlement and or margin obligations for dealing in securities. All payments must be received from the clients strictly by account payee crossed cheques drawn in favour of Drishti Shares & Investments Private Limited or through NEFT/RTGS from client`s designated bank account only. The same is also required as per SEBI circular no. SMD/ED/IR/3/23321 dated November 18, 1993 and SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003.

**In case account payee cheques have been received from a bank account other than the one registered with us, same shall be treated as third party transfer and no credit shall be given to client until the client gets the same updated in our records by submitting a written request alongwith necessary supporting documents.**

Only in exceptional cases, bank draft/ pay-order may be accepted from the client provided client submits written declaration alongwith bank statement/ acknowledged copy of bank pay-in slip/ a certificate obtained from the issuing bank verifying the client`s credentials.

**12. Suspicious Transactions**

All are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

**12.1. What is a Suspicious Transaction:**

Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith –

* Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
* Appears to be made in circumstance of unusual or unjustified complexity; or
* Appears to have no economic rationale or bona fide purpose

***Reasons for Suspicious:***

1. **Identity of client**

* False identification documents
* Identification documents which could not be verified within reasonable time
* Non-face to face client
* Clients in high-risk jurisdiction
* Doubt over the real beneficiary of the account
* Accounts opened with names very close to other established business entities
* Receipt back of well -come kit undelivered at the address given by the client

1. **Suspicious Background**

* Suspicious background or links with criminals

1. **Multiple Accounts**

* Large number of accounts having a common parameters such as common partners/ directors/ promoters/ address/ email address/ telephone numbers introducer or authorized signatory
* Unexplained transfers between such multiple accounts.

1. **Activity In Accounts**

* Unusual activity compared to past transactions
* Use of different accounts by client alternatively
* Sudden activity in dormant accounts
* Activity inconsistent with what would be expected from declared business
* Account used for circular trading

1. **Nature of Transaction**

* Unusual or unjustified complexity
* No economic rationale or Source of funds are doubtful
* Appears to be case of insider trading
* Purchases made on own account transferred to a third party through an off market transactions through DP account
* Transactions reflect likely market manipulations
* Suspicious off market transactions
* Transactions in Dormant Account
* High value transactions more than 5lacs

1. **Value Of Transactions**

* Value just under the reporting threshold amount in an apparent attempt to avoid reporting
* Large sums being transferred from overseas for making payments Inconsistent with the clients
* apparent financial standing Inconsistency in the payment pattern by client
* Block deal which is not at market price or prices appear to be artificially inflated/ deflated

**12.2. What to Report**

- The nature of the transactions

- The amount of the transaction and the currency in which it was denominated

- The date on which the transaction was conducted

- The parties to the transaction

- The reason of suspicion.

**12.3. When to Report**

In terms of the PMLA rules, brokers and sub-brokers are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) 6th Floor, Hotel Samarat, Chanakyapuri, New Delhi -110021 as per the schedule given below :

|  |  |  |
| --- | --- | --- |
| **Report** | **Description** | **Due Date** |
| **CTR** | |  | | --- | | All cash transactions of the value of more | | than Rs.10 Lakhs or its equivalent in foreign currency | | 15th day of the succeeding month |
| **CTR** | |  | | --- | | All series of cash transactions integrally | | connected to each other which have been | | valued below Rs.10 Lakhs or its equivalent in foreign currency where such series of | | transactions have taken place within a | | month | | 15th day of the succeeding month |
| **CCR** | |  | | --- | | All cash transactions where forged or | | counterfeit currency notes or bank notes | | have been used as genuine or where any | | forgery of a valuable security or a  document has taken place facilitating the  transactions | | Not later than seven working days from the  date of occurrence of such transaction |
| **STR** | All suspicious transactions whether or not  made in cash | Not later than seven working days from the  date of occurrence of such transaction |
| **NTR** | Non Profit Organization Transaction Report | Not later than seven working days from the  date of occurrence of such transaction |

In view of the same, all Concerned Departmental Heads, Branch Heads, APs and Sub Brokers are required to collect information from the Branches/ Departments/ Sub-brokers under their control/ jurisdiction and submit report on Cash transactions on monthly basis, to Mr Narender Kumar Khurana, Principle Officer by the 10th day of the following month and for suspicious transactions within three working days of establishment of such transaction to enable the Principal Officer to report the same to the Director, Financial Intelligence Unit-India (FIU-IND) within the stipulated time.

**12.4. Other Important Points**

* Reasons for treating any transaction or a series of transactions as suspicious should be recorded. It should be ensured that there is no undue delay in arriving at such a conclusion.
* Utmost confidentiality should be maintained in submitting the information.
* The reports may be transmitted by email/speed/registered post/fax at the Head Office addressed to the Principal Officer.
* No restriction may be put on operations in the accounts where a Suspicious Transaction Report has been made.
* It should be ensured that there is no tipping off to the client at any level.

**13. Formulation/ Review/ Training on “The Internal Policy and Procedure” to All Staff/ Sub-Brokers/ APs**

a. Principle officer and compliance officer shall be responsible for periodic review and updation of Internal Policy and procedures on “The Prevention of Money Laundering Act, 2002”, in the light of latest amendments and regulatory circulars.

b. This policy and any revision and updates therein shall be communicated to:-

* + All employees through DSI Intranet, internal circulars and during the periodic training programmes.
  + All Branches/ sub-brokers/ APs through email and circulars and during periodic training programmes.

c. Training programmes shall be conducted to apprise Staff and Business Associates about various compliance requirements and Internal Policy and procedures on “The Prevention of Money Laundering Act, 2002” from time to time for effective implementing of specific procedures for customer identification and retaining internal records of transactions.

1. The Internal Policy shall be placed before the Board, and changes, if any, in the policy are warranted, the revised policy should be placed before the Head for review and approval

**14. Record keeping requirements:**

"Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of five years after the business relationship between a client and DSI has ended or the account has been closed, whichever is later."

**15. Contact Details of Principal Officer**

In case any further information / clarification, the ‘Principal Officer’ may be contacted at:-

Mr Narender Kumar Khurana

40/62 Ground Floor,

Chittaranjan Park, New Delhi 110019.

Phone No. :9811851756

Email ID : [narendgm@yahoo.com](mailto:narendgm@yahoo.com)

**Drishti Shares & Investments Private Limited**

**Compliance Officer**

**Investor Complaints & Redressal**

Investor complaints, such as Non Receipt of Confirmation, Erroneous Transfer, Erroneous Trade,Trade Without consent, Non receipt of Security Statements, Fraudulent transfer /transaction or likewise, should be entered in the respective Grievance register.

Flow of Complaints addressing mechanism :

|  |  |
| --- | --- |
| Received at Branch | Received at Head Office |
| Step 1 – The recipient should inform the Branch Manager. | Step 1 – The recipient should inform the Compliance Officer. |
| Step 2 – Branch Manager to inform Compliance Officer. | Step 2 – Compliance Officer to initiate corrective steps towards closure of complaint. |

Post receipt of grievance, every effort should be made to resolve the grievance within 7 days. Post resolution, if required & deemed fit by the Compliance Officer, a confirmatory mail should also be sent to the customer. In case, if closure / resolution of the complaint is expected to take more than 7 days, Customer should be informed.

Closure of the complaint will be the joint responsibility of Compliance Officer and he must investigate the complaint thoroughly and take preventive measures, if required. Informing Exchanges, SEBI and any other regulatory body, (if required), will be the responsibility of the Compliance Officer. Furthermore, Complaint register, MIS, resolution & closure status shall also be put up to the director on monthly basis.