

RISK MANAGEMENT AND INTERNAL CONTROL POLICY

NDA Securities Ltd (hereinafter referred to as the 'COMPANY') a body corporate , registered under the provisions of the Companies Act 1956, is a SEBI registered broker of the National Stock Exchange of India Ltd. (NSE), Bombay Stock Exchange Ltd (BSE) MCX Stock Exchange (MCX-SX) and National Securities Depository Limited (NSDL).

We have owned Branches and Business Associate Offices (Sub-Brokers & Authorized Persons). The clients are linked or mapped to these branches or Associate Offices, herein after called as Branches, and are engaged in trading from these branches. Apart from the trades executed from Branches, there are certain clients who are indulged in trading using the internet trading platform. Controlling and monitoring of these trades are done from surveillance dept.

Major Functions of RMS :

- Allocating exposure to the clients' trading account and enabling the clients' to do trades.
- Monitoring of orders & trades by clients. Checking of order rejections and increasing exposure, if required.
- Monitoring the MTM profit/loss incurred out of trades, comparing the Actual Margin requirements of clients and the Total Margin available for clients on a one to one basis and initiating remedial actions, if required.
- Decision taking with regard to squaring off positions on account of MTM loss or Margin shortfalls or any other reasons that may come across.

In short, the Risk management in relation to all the trading activities for Clients is handled by Surveillance Dept.

We classify clients into High Risk Profile, Medium Risk Profile and Low Risk Profile. Such classification is done based on a personal relationship maintained with clients and respective Branch in Charges. Apart from this, all the clients are evaluated based on the initial margin and subsequent margins paid by them. The trading patterns of clients are also taken into consideration for classification of risk profile.

TRADING :

We are Member of The National Stock Exchange of India Ltd. (NSE), Bombay Stock Exchange (BSE) and MCX-Stock Exchange (MCX-SX). All these exchanges following online trading system and having a settlement system of T+2 in Capital Market segment and Daily mark to market settlement & Final settlement We are using ODIN software, NOW and NEAT for trading. These software are widely accepted amongst the industry as whole and are used by several other broking companies across the country.

Every exchange fix a minimum initial deposit to be maintained by every trading members as initial margin (Base Minimum Capital) and trading members, at their discretion, can have more deposits (Additional Base Capital) to be used as Margin for the purpose of enabling the trading activities. The exposure levels set by these exchanges are on a member level and not on client level.

CLIENT REGISTRATION

Company registers client by obtaining the Client Registration Form, which is foremost requirement of Exchange. In this form all the basic details of the clients are obtained.

Account opening form containing Rights and obligation documents, Risk Disclosure Document, Guidance for DO's and Don'ts for trading on Exchange, Policies & Procedure is provided to the client and after reading and understanding the same, must be signed by the client. The required documents should be collected from the clients strictly as per the documents mentioned in the checklist of the agreement book.

In this form, all the basic details of the clients are obtained.

Following steps to be taken to comply with 'Customer Due Diligence' process before registering as client:

- Obtain basic details for the purpose of the complying with KYC norms prescribed by SEBI (KYC basically contains basic details of the client like, Name, Address, Occupation, Income level, DP details, Bank Account Details, etc).
- List of Directors and authorized person to trade on behalf of client and copy of Board resolution to that effect, in case the client is Non Individual.
- Obtain Proof of Identity, Proof of Address after verifying with originals, a recent photograph and such other documents including in respect of his/her business and financial status of the client.
- Custodian details (if any) with whom client trade to be settled.
- Obtain PAN No. (Income Tax number).
- Obtain Risk Disclosure Document duly executed by prospective client as prescribed by SEBI.
- Physical verification of the client address.
- verify identity while carrying out:
 - Identify the Beneficial owner and take all reasonable steps to verify his/her identity
 - No anonymous account / fictitious account to be opened
 - Where the client is a juridical person, it should be verified that any person purporting to act on behalf of such client is so authorized and verify the identity of that person.

The customer due diligence (CDD) measures comprise the following:

➤ **Client Information & Identity:**

Before registering client, Verify independently information submitted by client but not limited to his identity, registered office address, correspondence address, contact details, occupation, Promoters/Directors, source of income, experience in securities market, PAN no, SEBI registration Number, (if any), MAPIN Number (if any) etc. Obtain as much information as can be collected. Generally Retail client are recognize at local level. We shall check the local references for client's identity and other credit details including those mentioned above or we can refer any other reliable, independent source documents, data or information should be approved by Account Opening Team, who shall open the Client Account after verifying information collected, registration form along with other supporting documents.

➤ **Beneficial ownership and control:**

After completing registration process, client account shall be verified by independent employee to check the actual beneficial ownership and control of the particular account. We need to obtain the details with respect to Shareholders, promoters from the non individual clients and wherever possible it has to be verified independently. Also verify the sources of funds for funding the transaction. We shall take care at the time of settlement regarding nature of transaction, movement/source of transaction, etc. We shall periodically ask for clients financial details to determine the genuineness of transaction. For this purpose, "beneficial owner" is the natural person or persons, who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted.

➤ **Ongoing due diligence and scrutiny:**

Periodically we shall conduct due diligence and scrutiny of client's transaction and accounts to ensure that transactions are being conducted in knowledge, to find out the risk profile, source of funds, etc. At regular interval, ongoing due diligence and scrutiny shall be conducted i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the Organizations' knowledge of the client, its business and risk profile, taking into account, where necessary, the customer's source of funds. We shall periodically update all documents, data or information of all clients and beneficial owners collected under client due diligence process.

Policy for acceptance of clients:

Before registering client, we shall identify and verify the following details of the prospective client:

1. Ascertaining the category of clients before registration as Client.(i.e. Individual or Non Individual, FII, Mutual Fund, PMS or other).
2. Obtaining all necessary documents for registration. (Photograph, Photo Identity, Proof of Address, copy of PAN, etc). Documents shall be verified with original and same to be counter signed by Authorised representative of the organization.
3. Obtaining copy of Bank Statement for ascertaining the mode of payment of transaction.
4. Registration of clients shall be made on physical presence of the prospective client.
5. Ensure that account shall not be opened in fictitious or benami name.
6. Clients occupation, sources of income.
7. Determining the parameter to categories of client as per risk.
8. Ensure that all details of KYC form shall be complete in all respects. Incomplete KYC shall not be accepted by organization.
9. Organisation shall not register client in case any kind of doubt has been raised by client (i.e. unable to submit required form/proof, any suspicious behavior noticed at the time of registration, etc)
10. Account shall not be opened where organization can not apply Customer Due Diligence/KYC policies.
11. The client accounts shall be scrutinised regularly for determining nature of transaction taken place. In case any suspicious transaction arisen, the account shall be freezed or securities/money shall not be delivered to client. The suspicious transactions shall be reported to the FIU as well as the respective exchanges or depository where transactions have taken place.

The following safeguards shall be followed while accepting the clients:

1. Security account shall not be opened in a fictitious/ benami name or on an anonymous basis.
2. Risk perception of the client shall be defined having regard to:
 - Clients' location (registered office address, correspondence addresses and other addresses if applicable);
 - Nature of business activity, trading turnover etc., and
 - Manner of making payment for transactions undertaken.

The parameters of clients into low, medium and high risk shall be classified. Clients of special category (as given below) may be classified as higher risk and higher degree of due diligence and regular update of KYC profile shall be performed.

3. Documentation like KYC, Risk Disclosure Document and other information from different category of client prescribed by SEBI and any other regulatory authority shall be collected depending on perceived risk and having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.

4. Ensure that a client account shall not be opened, where the organization is unable to apply appropriate clients due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to the organization is suspected to be non-genuine, perceived non-cooperation of the client in providing full and complete information. Discontinue doing business with such a person and filing a suspicious activity report. We shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. We ensure that it does not return securities or money that may be from suspicious trades. However, we can consult the relevant authorities in determining what action it should take when it suspects suspicious trading.

5. We shall comply adequate formalities when client is permitted to act on behalf of another person/ entity. It should be clearly specified in manner the account should be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity / value and other appropriate details. Adequate verification of a person's authority to act on behalf the customer can be carried out.

6. Necessary checks and balance shall be put into place before opening an account so as to ensure that the identity of the client does not match 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 agency worldwide.

7. The CDD process to be necessarily revisited when there are suspicions of money laundering or financing of terrorism.

Acceptance of clients through Risk – Based Approach

The clients may be of a higher or lower risk category depending on circumstances such as the client's background, type of business relationship or transaction etc. We shall apply each of the clients due diligence measures on a risk sensitive basis. Based on the client categorization, we shall adopt an enhanced customer due diligence process for higher risk categories of clients. Conversely, a simplified customer due diligence process shall be adopted for lower risk categories of customers. In line with the risk-based approach, we shall obtain type and amount of identification information and additional documents necessarily depend on the risk category of a particular customer. Further low risk provisions shall not apply when there are suspicions of Money laundering/financing of terrorism or when other factors give rise to a belief that the customer does not in fact pose a low risk.

Clients of special category (CSC):

CSC includes the following: -

- 1) Non-resident clients (NRI);
- 2) Trust, Charities, NGOs and organizations receiving donations;
- 3) Companies having close family shareholdings or beneficial ownership;
- 4) Politically exposed persons (PEP) of foreign origin, family members or close relatives of PEP's
- 5) Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, close advisors and companies in which such individuals have interest or significant influence);
- 6) Companies offering foreign exchange offerings;

- 7) Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent);
- 8) Clients with dubious reputation as per public information available etc.;

Client identification procedure:

To follow the Client Identification procedure we need to follow following factors:

- The 'Know Your Client' (KYC) policy shall be strictly observed with respect to the client identification procedure which need to be carried out at different stages i.e. while establishing the Broker- client relationship, while carrying out transactions for the client or when have any doubts regarding the veracity or the adequacy of previously obtained client identification data.
- The client shall be identified by using reliable sources including documents / information.
- Obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- Appropriate Risk management shall be put in place to determine whether the client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic database of PEPS.
- Reasonable measures to be taken to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- The information shall be adequate enough to satisfy competent authorities (regulatory /enforcement authorities) in future that due diligence was observed in compliance with the Guidelines. Each original document shall be seen prior to acceptance of a copy and it is verified and signed by Compliance Officer or personnel as designated by him for such purposes, being without limitation the account opening staff at branches and sub brokers.
- Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the organization.

Walk in Clients: The company has decided not entertain Walk In Clients. All clients / would be Clients are required to submit proper references or introducers.

Closure of Client Accounts/ Dormant Accounts: Clients accounts are closed either by client himself or action initiated by the company. On receipt of written request from the client, the concerned employee deactivates the client code in its front & back office.

Client's accounts are also closed on action initiated by the company in the following cases:

- SEBI or any other regulatory body has passed an order against such client, prohibiting or suspending such client from participating in the securities market or has levied any penalty on the client.
- If client fails to meet his obligation within stipulated time or time provided by the company
- If clients fails to provide proper documents as required under SEBI rules & regulations even after repeated request by the company.
- If client is declared fugitive under any law in India or abroad.
- If client is declared insolvent under any law in India or any criminal cases are filed or pending and such information is not disclosed at the time of registration with the company.

BANK ACCOUNT

Client Bank Account is used only for the purpose of receiving and paying funds from the clients.

RECEIPT FROM AND PAYMENTS TO THE CLIENT

The cheques from the clients is only accepted from the accounts for which the client has submitted the proof to the company. In case of any receipt from the accounts for which the proof is not available, the same is demanded from the clients. Third party cheques are not accepted from the clients. Payments for the payouts are made to the clients and not to any third party.

DEMAT ACCOUNTS

The Company maintains clients securities in a designated account called the Client Beneficiary Account. The Securities of the company are kept in a separate demat account. The Clients and own securities are not mixed with each other.

PRE-FUNDED INSTRUMENTS POLICY

If the aggregate value of Pre-funded instruments is Rs. 50,000/- (Rupees Fifty Thousand Only) or more, per day per client, we may accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The mode of certification may include the following:

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

We may maintain an audit trail of the funds received through electronic funds transfer to ensure that the funds are received from their clients only.

RECEIPT AND DELIVERY OF SHARES

The shares from the clients will only be accepted from the clients for which the client has submitted the demat proof to the company. In case of any receipt from the accounts for which proof is not available, the same will be demanded from the clients. Third party will not be accepted from the client. Delivery for the payouts will only be made to the clients and not to any third party.

ISSUANCE OF CONTRACT NOTES

As a Trading Member of the Exchange, we are required to issue Contract Notes to all our constituents for all trades executed by them in the format as may be prescribed by the Exchanges / SEBI from time to time with all relevant details as required therein to be filed in, and issued in such manner and within such time as specified by the Exchange.

It is to be ensured that the Contract Notes are issued within 24 hours of the execution of the Contract. The Contract Notes are issued to the clients through the ECN on their respective E-mail ID as consent received from the same. In case of clients who does not opt for ECN facility than the contract note is to either handed over or posted to their respective addresses.

A contract note shall be signed by any one of the Company's Authorised Signatory. Names of these Authorised Signatories will be printed on the contract notes. Contract notes shall be time stamped with the time of receipt of order and time of execution of order.

The contract notes shall be numbered with unique running serial number and we are having trading codes in Contract Notes, which consists of individual client codes as per UCI.

By using Software, dealing office address would be printed on the contract notes. In case of any problem rubber stamp is to be used to have Dealing Office Address on contract notes.

Contract Notes will indicate total brokerage charged to the client.

If authorised by the clients, contract notes may be issued by is in electronic form, in such format as may be prescribed by the Exchanges from time to time, duly authenticated by means of a digital signature/s as specified in the Information technology Act, 2000 and the rules made thereunder.

While issuing contract notes, ECN Log for the same is maintained along with the delivery report. In case of physical contract notes, duplicate copy of same is maintained along with POD.

STATEMENT OF ACCOUNTS

The statement of accounts will be sent to the clients on a quarterly basis within one month of the end of the relevant quarter.

EXPOSURE TO THE CLIENTS

The company will allow exposure to the clients keeping in mind the payment capacity of the client. As all the clients are known to the dealers, the dealers will decide whether to allow the exposure and if allowed, then to what extent in consultation with their heads.

MARGIN COLLECTION

In case of capital market segment, the margin will normally not be levied under normal circumstances, but the company may collect the margins depending upon the market scenario and client profile. The amount of margin is discretionary and depends upon various factors. Our clients are generally introduced by existing clients, dealers, proprietor, employees or person known to us. Generally we do not entertain walk in clients. As such risk of client default is minimized to that extent. Moreover as margin collection is not mandatory in CM segment, the same is not compulsorily collected.

In case of Future & Option / Currency Derivatives Segment

1. No trading will be entertained unless up front margin is received in advance for value of trade to be executed on behalf of any client.
2. Margin will be accepted in 'Cheque' only unless management decides otherwise.
3. If margin is accepted in the form of shares, a specified hair cut will be computed on the price at the day end. All short fall will have to be met immediately by the client in cash or before opening of next trading session, whichever is earlier.
4. No letter or written communication in this regard will be sent to any client for shortage of margin. The client will be responsible for any shortage of his margin with us for his outstanding trades.
5. No complain will be entertained for squaring off of outstanding trades or liquidating of margin by the management in absence of short fall of margin at any stage by the client.
6. It will be sole discretion of the management to decide on 'spot' whether to square off outstanding trades of a client and margin be liquidated to meet the short fall.
7. Any amount payable on account of 'Mark to market' has to be paid in cash by the client before opening of next trading session. Amount paid must be in the form of clear bank balance given on the day of trade. If clear balances of margin/ MTM are not available, the management will at its sole discretion square off the trades of any client, which in its opinion can put the company or its other clients to unnecessary market risk.

8. The company reserves the right to liquidate a client's position, if the client fails to maintain proper margin with the company. Further, company also reserves the right to liquidate/neutralize a client's position in extra ordinary fall or rise in market price sensitive index, which in the opinion of the company may have a bearing on the future survival of the company and its business.

INVESTOR REDRESSAL SYSTEM/ MECHANISM

1. The company has also designated email ID for sending complains by its investors or clients. The email Id has been disclosed in the KYC Kit sent to all clients at the time of registration as well as is mentioned on the contract note.
2. The branch manager is responsible for sending the copy of complain received or written in complain register within 24 hours of the receipt of the complain to compliance officer at head office either personally or via email.
3. On receiving the complaint, the Compliance officer is authorized to dispose off the complaints on its merit and write personally to the client of all action taken by him for satisfaction of the client.
4. If the compliance officer deserves the attention of the higher management or if the compliance officer is unable to dispose off complain to the satisfaction of the client or the exchange or the SEBI, the designated directors are informed of the situation by the compliance officer and all documents are placed before them within seven days of the receipt of the complain.
5. The designated director's review the pending complains every seven days along with matters needed their attention.

BRANCH CONTROL POLICY

1. Compliance Officer will be responsible for checking & controlling day to day affairs of the branches for any trading problems.
2. Branches will be opened for sole purpose of allowing clients to get their orders executed. Clients will be allowed to trade from only one specified branch for better control & service. Branch manager will be responsible for all activities & trades executed from any branch and solving any client related problems in consultation with compliance officer.
3. All Client Registration Kits will be approved at the head office and will be required to be counter signed by the branch head from where client has shown his interest to trade.
4. Branch head will be responsible for all trades executed from his branch

POLICY ON UNAUTHENTICATED NEWS CIRCULATION

1. Employees / Temporary Staffs / Voluntary Workers etc employed/working in our office shall not be encouraged or they shall not circulate rumors or unverified information obtained from client, industry, any trade or any other sources without verification.
2. Access to BLOGS / Chat Forums / Messenger sites etc. are either restricted under supervision of some responsible employees of the company or access shall not be allowed.
3. Logs for any usage of such BLOGS / Chat Forums / Messenger sites (called by any nomenclature) shall be treated as records and the same should be maintained as specified by the respective Regulations which govern our company.
4. Employees are directed that any market related news received by them either in their official mail / personal mail / Blog or in any other manner, should be forwarded only after the same has been seen and approved by the Compliance Officer of our Company.
5. If any employee fails to do so he/she shall be deemed to have violated the various provisions contained in SEBI Act/Rules/Regulations etc. and shall be liable for actions.

BACKUP POLICY

All important data backup is taken on regular basis. Backup is taken to prevent loss of data in the event of equipment failure or destruction.

TRANSFER OF TRADES

If there is mistake in inputting the client code while doing the sauda, we make the necessary changes in client code within the time allowed by the exchange only after taking permission of the designated director.

SETTING OF THE LIMIT OF THE TERMINAL AND 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 depending upon the client profile and various other factors (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.)

TREATMENT OF INACTIVE ACCOUNTS

Where no transaction has taken place in client's Trading Account during the last 3 months from the date of last transaction, then it will be considered as inactive account. The client has to make written request or E-mail from designated E-mail Id for re-activation of trading account.

OPERATION AND COMPLIANCE REQUIREMENTS

Due Care is taken to see that all compliances and operations procedures are as per those specified by the Exchange and are updated accordingly.