

Annexure

Internal control

(Please enclosed the policy for the following):-

1. Details

➤ **Date of starting of business**

The company is a member of Bombay Stock Exchange Since 26.12.2005 and started its business in BSE on 16.01.2006.

➤ **Background of company**

NDA Securities Limited is one of the prime stock broking Companies of Northern India. The Company was incorporated on 21/09/1992 and was promoted by Mr. N.D. Agarwal & Mr. Sanjay Agarwal. The Company is a Member of the National Stock Exchange of India Limited since 3rd November 1994 & Bombay Stock Exchange Since 26 Dec., 2005.

The company has become Depository Participant (DP) of NSDL w e f. 24.03.2009 and started its Depository Division w.e.f. 02.04.2009

The company's subsidiary co. NDA Commodity Brokers Private Limited was incorporated in the year 1995. The Company is a Member of the National Commodity & Derivative Exchange Limited and Multi Commodity Exchange of India Limited. The Company is engaged in client based commodity broking through the online trading terminals of the NCDEX and MCX.

The Company is doing Stock Broking business and dealing on behalf of various Financial Institutions, Mutual Funds and High networth Individuals and Corporates.

Company is empanelled with various Financial Institutions and Mutual Funds like LIC, LIC Mutual Fund, Oriental Insurance Company, Oriental Bank of Commerce ,Punjab National Bank, Punjab & Sindh Bank , Central Bank of India , Bank of India, Andhra Bank, State bank of Hyderabad, State Bank of Patiala, State bank of Bikaner and Jaipur ,SIDBI. and doing sale & purchase of securities for them.

2. Client Code Modification:

➤ Reasons for the modification of client codes

Punching error / typing error of client codes due to any genuine error or mistake in order entry, while punching the order, by any of dealer.

Trade entered for wrong client due to any miscommunication from the client.

Client code and modified client code are similar to each other but such Modifications are not repetitive.

Family Code (spouse, dependent parents, dependent children and HUF)

➤ Ratio of modification of client codes done at Head office vis-à-vis other offices

N.A

➤ Details of authorized representatives for approval of client code modification w.r.t. error trades.

Compliance Officer and Managing Director

➤ Measures taken to reduce the modification of client codes.

No Repetitive trade is done in the same client code during the year.

➤ Whether the trades have been modified only for the objective criteria allowed by the Exchange?

Yes

➤ Whether securities taken into ERROR A/c are liquidated in the same A/c?

Yes

3. PMLA

- **Compliance w.r.t. Principal Officer, appointment of Designated Director under PMLA and adoption of written policy.**

Yes

- **Whether KYC and AML policies have been reviewed in line with SEBI Guidelines?**

Yes

- **Measures taken with regard to Anti money laundering Act**

Yes

- **System of keeping a check on Volume of trading done by the client is in proportion to his financial details as disclosed in the KYC.**

Yes, it's in built in our back office software

- **Alerts for the same generated or not?**

Yes, we can see reports for any/selected days on average turnover base and financial base.

- **Any Suspicious Transaction Report (STR) sent to FIU**

No STR or Ctr has been sent to FIU during the inspection period as there is not suspicious transaction.

- **Risk categorization of clients.**

Yes

- **Enumerate the steps taken to verify the identity of persons who beneficially own or control the securities?**

4. Introduction/Registration of clients

- **Basis of accepting as client**

Firstly we check the Client Registration Form thoroughly after that we register the client data in our back office and upload the details of the client on BSE Terminal after confirmation from BSE, we open the account and inform to the client through printed welcome letter.

➤ **Procedure for In-person verification of clients and maintenance of proof for the same, specifically in respect of out station & sub-broker clients**

In-person verification of clients has been done by the employees of the company and the details of in-person verification has been mentioned on the KYC Kit

➤ **Whether Client Registration Documents (CRD) given to new clients & to existing clients, on demand. Also, whether UCC & email ID communicated to clients on CRD or separate letter, and proof for the above.**

Yes , copy of CRD in given to New Client and existing clients on demand along with a welcome letter dispatch on which among other details UCC as well as email ID of clients is also mentioned.

➤ **Do you outsource client registration modalities?**

No

➤ **Do you entertain walk in clients? If yes, what are risk mitigation measures taken in dealings with such client.**

As per client Registration policy

➤ **Process of record keeping and retrieval of client registration document.**

Month wise Date wise recording of Client Registration documents

5 Funds:

➤ **System of pay in and pay out of funds from / to clients**

We receive cheque from clients. We ensure that crossed cheque are issued from client account only. This is done by physical checking of instruments. In case of outstation/branches the branch managers follow up the same procedure. Payments are made as and when demanded by clients. Since the transactions are very frequent for purchase and sale of shares. We have been authorized by the clients to retain their funds to meet their margin and pay in requirement as well as advise us to release the funds as per requirements from time to time..

As & when we receive any request from our clients, we release the funds in his client bank Account. In case of shortage of funds we accept the funds from his bank account only

➤ **System & source of pay in and pay out of funds in case of Own trading**

There is no trading in Pro during the period of inspection and in case of trading we pay in from our own account.

➤ **Procedure of Margin collection, if any from clients & maintenance of records thereof**

We receive cheque from clients. We ensure that crossed cheque are issued from client account only. This is done by physical checking of instruments. In case of outstation/branches the branch managers follow up the same procedure. Payments are made as and when demanded by clients. Since the transactions are very frequent for purchase and sale of shares. We have been authorized by the clients to retain their funds to meet their margin and pay in requirement as well as advise us to release the funds as per requirements from time to time.. As & when we receive any request from our clients, we release the funds in his client bank Account. In case of shortage of funds we accept the funds from his bank account only.

➤ **Any funding is done to the clients**

No, we doesn't funding to the clients.

➤ **Credit / transfer of Dividend to the clients / own dividend**

As soon as we receive dividend of our clients from any company, we immediately credit the dividend amount to the concerned client.

➤ **Procedure followed in case of default by client/ sub broker's client**

Analysis is done regularly & follow up through Phone Calls, Personal Visits to clients,

➤ **Payment to sub brokers / remisiers /Authorized persons**

Payment to sub brokers and remisiers through account payee cheque only after deduction of TDS.

- **Any third party transfer of funds? If yes , policy in this regard**

No , No third party transfer are allowed.

6 BOLT Terminal

- **Procedure of accepting & placing of orders**

In our Head Office we have telephone recording system for receipts of order

- **Factors determining the trading limit for each terminal / client**

We have an exchange driven software for monitoring clients margin, position. The software takes care of deposit requirements of clients .As and when the margin requirement and profit and loss on outstanding open position goes beyond limit as decide by us according to deposit of clients, the software restrict the clients buying and selling right and he is immediately prompted to deposit more money towards margin

- **Control over operator to ensure that he is entering authorized trades only**

Yes

- **In case where terminals have been located abroad, then Opening of terminal abroad is in compliance with SEBI Guidelines**

No terminal is located abroad

7 Contract Notes

- **Whether printing of contract note is centralized? If not, Place from which CN are printed.**

Contract notes for trades executed at branches, send from the head office to the Email IDs given by the clients within 24 hour of trade execution and log reports for the same are maintained at the head office.

- **Procedure for printing CN in case of outstation clients / sub broker clients**

On specific request of the client we give them printed contract note from our head office.

➤ **Basis of numbering**

We numbered the contract note in chronological order started from April 1 for every financial year.

➤ **System for maintaining duplicates & acknowledgement for CNs**

Log report for sending the contract notes are available in our back-office software.

➤ **Whether consent for change in e-mail id is obtained through physical letter from the clients?**

Yes

8 Securities:

➤ **System of pay in and pay out of securities from / to clients**

Since the transactions are very frequent for purchase and sale of shares. We have been authorized by the clients to retain their securities to meet their margin and pay in requirement as well as advise us to release the securities as per requirements from time to time.. As & when we receive any request from our clients, we release the Securities in his client beneficiary account. In case of shortage of securities we accepted the securities from his beneficiary account only.

➤ **Separate Own Beneficiary Account maintained or not**

Yes we maintained separate own beneficiary account.

➤ **Separate Client beneficiary account maintained or not**

Yes, we maintained a separate client beneficiary account

➤ **Client wise segregation of securities maintained or not**

Yes, we have made client wise segregation of securities

Whether Clients' securities maintained with Member

Yes , in separate client Beneficiary Account

➤ **Procedure for check on Third party security transfer/ acceptance**

We have not taken any third party security transfer.

➤ **Policy to ensure that client's securities are not mis-utilized for own purposes or for any other client.**

We have not utilized the clients securities for our own purpose and for any other client and maintain a client wise and securities wise register of securities.

9 Statements of Accounts

➤ **Whether statement of accounts for funds and securities are issued on monthly or quarterly basis.**

Quarterly basis

➤ **Whether statement of accounts is issued from the branches/sub-broker's office/authorized persons office. If yes, the procedure followed for issuance and the maintenance of the duplicates and proof of delivery.**

Statement of accounts is issued only form the head office.

➤ **Whether statement of accounts are issued physically or digitally?**

Digitally.

10 Execution of POA (Power of attorney) (if applicable) -

➤ **Please specify in whose name POA has been taken (trading member, its employees or representatives or sub-brokers)**

POA has been taken in favour of the broker and authorized signatory is employee of the trading member .

➤ **Process adopted for execution of POA**

- As soon as clients given the POA in favour of the trading member to operate their demat account only for Pay-In Obligation and margin requirement, we forward it to depository for execution.

11 Opening & closing of branches

- **Procedure adopted for opening & closing of branches**

Whenever any proposal for opening of a new branch is conceived, a projection sheet is prepared depicting the proposed cost revenue analysis, the proposed services to the new clients etc.

The proposal is discussed with the Marketing Team meeting, consisting of directors and other senior persons of the company. The Team gives its approval to the proposal only when it is fully satisfied about the improved services to the prospective clients.

After the approval is received from the committee, the proposal is given to the zonal heads, under the supervision of the Marketing Head, for implementation. All the activities of opening of new branch are carried out in a professional way.

- **In case of closure of branches, how and when do you communicate existing clients?**

Whenever any branch is closed a notice to that effect is displayed in the branch premises one month in advance.

There after all the clients are called on telephone/emails informing about the closure of branch, they are given proper information regarding the contact numbers after the branch is closed.

Normally the clients are mapped with our other nearby branch and the clients are informed about the same along with the concerned contact person for future dealings.

12 Closure of client accounts / dormant account

- **What type of documentation (both inward and outward) undertake for closure of account.**

Closure of accounts is done on a request letter duly signed by client. Account is settled and cleared and the back office deactivates the client ID. After closure of account a confirmation is sent to client either by e- mail on registered ID or through courier.

- **In case of dormant account (six month), what extra caution taken before execution of trade in such account**

In case of dormant accounts having no operation during last six calendar months we mark it as inactive account. And no operation is permitted in an inactive account except collection of dividend on securities and debiting of charges if any. An inactive account can be activated only on written request from client and before reactivation we verify client's particulars again.

An inactive account can be activated only on written request from client and before reactivation we verify client's particulars again and collect documents in case of any change in any particulars.

- **Procedure adopted in case of very old dormant account (2 years old)**

In case of dormant accounts for more than two years if request for reactivation is not received within two years from deactivation of account we deregister the client after informing him at his last known address.

13 Receiving and Execution of Orders

- **Mode of order acceptance at HO/Branches/Sub-brokers office/AP's offices**

By Recorded landline telephone, personally visit by clients.

- **Any document is maintained for the clients who personally walk into the office and place the order?**

Yes, Visitor Register is being maintained for the same.

- **System for identifying authenticity of caller when the order is placed through telephone.**

All dealers are given an allocated client list to accept and deal with trading orders from those clients only. In case of absence of a dealer the Head/Senior Dealer will decide who will deal with clients allocated to absentee dealer.

Allocated list of client will help dealers to deal efficiently with limited clients for rendering best services. This helps both dealers to being familiar with clients including recognition of their voice, capability, better service and recognition of voice of clients due to more frequency of talking over the phone.

Dealers, who receives a call from client, has to verify the phone calls by asking Caller's Account detail such as Name and unique client code and check with his allocated client list first to ensure that caller client fall within his allocated client group or not. If the caller do not fall within allocated client list of dealer, the dealer will transfer the call to appropriate dealer who will deal with caller or Senior Dealer.

- **Mechanism put in place to limit the cumulative value of unexecuted orders from the terminals?**

Order limit is set through surveillance for each terminal. Cumulative unexecuted order value is being monitored in time intervals by Surveillance. If any order is found not genuine, such unexecuted order is cancelled after informing the client and senior Dealer/official staff.

14 Portfolio Manager

- **Whether Trading Member acting as a portfolio manager?**

We don't act as portfolio manager.

- **Procedure for client registration, order execution, contract notes issuance and settlement mechanism followed for the same.**

Not applicable

- **Whether any of the client of the TM is acting as a portfolio manager?**

No, Not in our knowledge.

15 Brokerage Charged

- **Brokerage schemes provided to the clients?**

No brokerage scheme are provided to client except normal procedure e.g. brokerage for delivery and non delivery transaction with minimum per share.

- **Elaborate on the schemes provided?**

No Brokerage Schemes are provided to clients.

16 Client Margin Information

- **Client margin collected in what forms?**

Margin has been collected in form of share and cheques.

- **Client margin when collected?**

We collect Upfront margin .

- **Client margin collection and reporting process:**

Client Margin has been collected in form of share and cheque and we export it file and upload it on BSE Extranet.

- **Process for evaluating exposure to be given to the clients?**

We evaluate the exposure according the client margin deposit detail. We have an exchange driven software for monitoring clients margin, position. The software takes care of deposit requirements of clients .As and when the margin requirement and profit and loss on outstanding open position goes beyond limit as decide by us according to deposit of clients, the software restrict the clients buying and selling right and he is immediately prompted to deposit more money towards margin .

➤ **Whether client margin information is sent to the clients?**

Yes

➤ **Whether it contains all the required information as prescribed in the circular?**

Yes

➤ **What is the mode of informing to clients? Whether proof of delivery/dispatch is maintained for the same?**

Through digitally signed email. Yes, proof of delivery/dispatch is maintained in form of log reports.