

**INTERNAL CONTROLS POLICY****V.03.20.01****INTRODUCTION:**

This is a policy document for guiding the operations of the organization. This Document is for internal use and not for circulation.

**CLIENT REGISTRATION:**

This is first stage of contact with the client. It is very important to take adequate details from the clients to maintain a record of the details of the clients.

1. Company registers client by obtaining the Client Registration Form which is foremost requirement of exchange. In this form the basic details of the clients are obtained i.e.
  - a. Name of client: Which is used to identify the client.
  - b. Residential Address is taken with the address proof which are the document specified by exchange i.e. Ration Card, Pass Port, Voters ID or Driving License.
  - c. Also taking photo identity proof of Pass Port, Voter Ids, Driving License Copy.
  - d. Photograph of client in case of Individual.
  - e. For Corporate client Board Resolution, Memorandum of association & article of association of company, Share holding pattern, Details of Authorised Persons and Directors.
  - f. Pan card of all Clients.  
All these document form part of KYC Norms, which is, will be taken from all the clients
  - g. Bank Details of the client along with the proof of the same i.e. Xerox of the bank pass book Or Cancel Cheque with sign so that company can keep track of the third party payment i.e. amount paid through other persons account.
  - h. KYC form is completely verified and the details of clients have been uploaded in KRA.
  - i. Response file from KRA is checked and in case clients who KYC's is not registered with KRA, KYC's are sent to KRA within prescribed days of registration.

**CLIENT BROKER AGREEMENT:**

Rights and Obligations of Stock brokers and Clients are executed at the time of client registration. It is as per the format prescribed by the exchange. This will cover all the responsibilities, Rights & Liabilities of client & member.

**RISK DISCLOSURE DOCUMENT:**

Trading in securities market involves risks of various nature. Clients need to be educated and informed about the risks involved and the company as a policy will issue the RDD to all its clients and obtain a signature on the copy.



#### **MARKETING AND CLIENT CANVASSING:**

It shall be the responsibility of the Sales team to carry out the diligence of the client or the sub-broker, Authorised Person & Remisier and be satisfied with the standing and credibility of the person with whom the company plans to establish the relationship.

He shall take all the necessary care and caution before recommending the establishment of relationship of the company with any other entity.

#### **ORDER ACCEPTANCE AND EXECUTION:**

The orders from the client's shall be promptly executed by the dealers and the oral confirmation of the placement of the orders shall be immediately provided to the clients.

#### **TRADES:**

The trades of clients shall be carried out in the respective client code only. The dealers shall take utmost care while executing the trades of the clients regarding the accuracy of Client Code, lot size, Price etc.

In case of any mistake in execution of the trade the same shall be intimated to the HO administrator who shall do the needful to transfer the trade into the correct code using the Exchange Mechanisms for trade modification.

In case the mistake is highlighted or brought to the notice of the HO after the stipulated time lines of the Exchange and the Client Code does not exist in the Back Office then the trades shall be transferred to the correct Client Code after the same is approved by the CEO / VP/Compliance Officer of the Company.

In case the Client Code does not exist in the Back Office then the trades shall be transferred to the Correct Client Code

#### **BANK ACCOUNTS:**

Client Bank Account will be used only for the purpose of receiving and paying funds from the clients. For the payments of expenses the business account will be used. Fund Transfers between all the bank accounts will be allowed as per requirements.

#### **RECEIPT FROM & PAYMENTS TO THE CLIENTS:**

The cheques from the clients will only be 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 will be demanded from the clients. In case of payments made by clients thru Pay order / Demand drafts covering

letters from clients would be obtained stating that the Pay orders / demand draft is issued by him from his saving account with the issuing bank.

No cash will be accepted / paid to from / to any client.

Payments for the payouts will only be made to the clients and not to any third party.  
Delivery for the payouts will only be made to the clients and not to any third party.

**CONTRACT NOTES AND MARGIN STATEMENT:**

Company will issue contract notes to its clients within 24 hrs from the time of trade. Along with the Contract note the Client shall also be furnished with a copy of the daily margin status which shall give the details of the Funds and Shares of the Client with the company, the applicable margins on the clients' positions and the net amount receivable or payable from the client on a particular day.

**STATEMENT OF ACCOUNTS:**

The statement of accounts will be sent to the clients periodically, as it will help avoid discrepancies in future.

**EXPOSURE TO THE CLIENTS:**

The company will allow exposure to the clients keeping in mind the payment capacity of the client as per RMS policy. 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.

**COLLECTION:**

The Company will collect the SPAN margin from the clients and if need be the company may collect additional margins for the safety depending on the Market Scenario and Client Profile.

The Clients having debit balances shall be promptly followed up for collection of the outstanding balances.

The clients who do not clear the outstanding dues for a reasonable period of time shall be subject to the compulsory square off of position and disposal of collateral with the company. This shall be done only in case the Risk Management Officer is convinced that the client shall not pay up.

No hard recovery procedures shall be adopted and all recoveries shall take place through official legal channel.

**TRADING TERMINALS (ALLOTMENT AND SURRENDER):**

The trading terminals shall be provide to the dealers who are appointed by the Company or its registered sub-brokers or registered Authorised Person. This Exchange requirements for the allotment of terminals shall be strictly adhered to while allotment of terminals. The users shall be adequately qualified and comply with the Exchange requirements and shall be not allow any one else to use the terminal allotted to him.

The terminal shall not be shifted from one location to another without the express permission of the Head Office.

The Users whose certificates have expired shall surrender the User ID.

In case of any closure of Branch or Sub-broker or Authorised Person, all user IDs allotted to that location shall be surrendered.

**CLOSING OF ACCOUNTS:**

The Clients account shall be closed upon specific request from the client. The closure shall be effective only after a period of one month has elapsed from the date of application / intimation or the date of settlement of account whichever is later.

Settlement of account shall mean that there is no outstanding balance of shares or funds in the books of the client and the company and the same is confirmed by the client. The date of confirmation shall be the effective date of settlement.

#### **INVESTOR GRIEVANCES:**

The Compliance Officer shall be the designated officer for handling the Investors Grievances and Client Complaints.

It shall be his duty to designate an email ID for acceptance of the Client Complaints and the same shall be prominently displayed on the website of the company as well as other stationary material of the Company.

This email ID shall be checked for any receipt of complaints on a daily basis. A register shall be maintained for all the complaints received and all further correspondences shall be recorded in the said register.

The resolution of the Complaint shall be done at the earliest and the same shall be recorded in the register along with the date of resolution.

#### **INTERNAL AUDIT:**

The Company shall appoint auditors to carry out the internal audit of the company. The auditor shall submit a report to the Management on a <monthly / quarterly> basis which shall be deliberated upon and the suggestions of the auditors shall be implemented in the day to day functioning of the Company.

#### **CONNECTIVITY TO EXCHANGE & TO BRANCH / AUTHORISED PERSON / SUB BROKERS / CLIENTS AND REDUNDENCY THEREOF:**

In many cases the User IDs are Dual Locked so that VSAT can be used as a fall back in case of Lease Line failure.

The Company has multiple offices, which are directly connected to the Exchange and each such office may be used for trading in case there is a contingency at the Head Office.

In case of any disruption at a branch / sub-broker / Authorised Person, a contact with the HO over the telephone can be established for the Execution of the Orders of the clients.

The Internet Trading Clients, connect to the company's network through its website. These clients are also provided with information of the telephone number of the HO. In case of any loss of connectivity the Clients can call up the HO and get their orders place directly into the Exchange.

**For LKP Securities Ltd.,**