Internal control Policy (Version 1.2)

1. **Details**
   - ➢ Date of starting of business : 12th December 1997
   - ➢ Background of company: The membership was held in the name of the promoter Mr. Mangalchand B Biyani. After the incorporation of the company the membership was shifted to company.

2. **Client Code Modification:**
   - ➢ Reasons for the modification of client codes: - Due to punching error.
   - ➢ Ratio of modification of client codes done at Head office vis-à-vis other offices. – Only Head Office
   - ➢ Details of authorized representatives for approval of client code modification w.r.t. error trades.
   - ➢ 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.
     - ✓ Principal Officer is appointed. Literature regarding PMLA is communicated to the clients with KYC as well as from time to time by way of emails and written communication.
   - ➢ Whether KYC and AML policies have been reviewed in line with SEBI Guidelines? - Yes

   - ➢ Measures taken with regard to Anti money laundering Act?
   - ➢ Only persons well known to the promoters/existing clients are registered as clients and also their trading activities are monitored on daily basis as we have TWS one office in Mumbai and only one branch office at Ranchi. The branch office is managed by a close relative of the promoter. 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?
     - ✓ Client wise trading limits are set and client transactions are done on only one TWS.

For SHRI BRIJ SECURITIES PVT. LTD.

DIRECTOR

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MEMBER : BSE - 454 & NSE - 09759

103, Rajendra Chambers, 19 Nanabhai Lane, Opp. Akbarallys, Fountain, Mumbai –
400 001.
Tel. : (022) 2285 0199 / Email : info@shribrijsecurities.com
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➤ Alerts for the same generated or not?
   ✓   Yes
➤ Any Suspicious Transaction Report (STR) sent to FIU?
   ✓   We check our client from list of clients debarred by SEBI, MIIs and UN. Reported to board on quarterly basis.
   ✓   These points related to PMLA taken from the main policy as per SEBI and other regulatory bodies based on the size and scope of our business on time to time basis.

4. Introduction/Registration of clients

➤ Basis of accepting as client?
   ✓   Only well known persons to the promoter/directors/existing clients are accepted and registered as clients.

➤ Procedure for In-person verification of clients and maintenance of proof for the same, specifically in respect of out station & sub-broker clients?
   ✓   Usually clients visit the office for registration. In case a client is not able to visit office then an employee visits the client for verification and collection of KYC and other documents.

➤ 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.

➤ 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 ?
   ✓   No we don't entertain walk in clients.

➤ Process of record keeping and retrieval of client registration document?
   ✓   CRD's are maintained in alphabetical order in files separately for direct clients and branch clients.

➤ **Risk categorization of clients**

Clients is marked as **low risk** under following circumstances –

1. Related or known to director or related to existing client, reputed family and good financial background.
2. Client profile should not fall in any of the category that is debarred list of clients, PEP or related of PEP if any, NRI, client belong to high-risk country, Clients with dubious reputation as

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per public information availed during reference check, involved in any business of trading in illegal goods or services.

✓ Client with **Medium and High risk** are not on boarded as clients.

➢ Enumerate the steps taken to verify the identity of persons who beneficially own or control the securities?
All Clients are known to the promoter or are relative of existing client. No new Client is taken without proper reference check.

5. **Uploading of KYC documents to KRA :**

   ➢ Specify the name of the KYC Registration Agency ('KRA'). – CVL KRA
   ➢ Procedure followed for uploading the details of KYC to KRA. Also furnish a copy of operational manual, if available, in this regard.
   ➢ Clients account opened based on the client's details downloaded from KRA system? In such case of download of KYC from KRA system, how the responsibility for KYC of clients is met as per Regulation 16 of SEBI (KRA) Regulations, 2011. – KRA is checked and if any new documentation is received the same is been uploaded in the system.
   ➢ As regards foreign investors, furnish the status of compliance along with supporting data/facts regarding compliance of the following circulars: SEBI circular no. CIR/MIRSD/ 11 /2012 dated September 5, 2012 and CIR/MIRSD/ 07 /2013 dated September 12, 2013 – We do not onboard Foreign Clients.

6. **Funds:**

   ➢ System of pay in and pay out of funds from / to clients: - Clients' accounts are maintained on a running account basis. Due authorization is obtained from clients for the same. If there are no activities for a long period then the accounts are made zero either by receipt from or payment to clients.
   ➢ System & source of pay in and pay out of funds in case of Own trading: Own funds are used for payin and the excess own funds lying in client account are transferred to own (business) account and invested accordingly.
   ➢ Procedure of Margin collection, if any from clients & maintenance of records thereof: No margins collected from clients. Own FDR's are deposited in the exchange to meet margin obligations.
   ➢ Any funding is done to the clients: No funding is done to clients.
   ➢ Credit / transfer of Dividend to the clients / own dividend: Client dividend is first credited to client dividend a/c. Then J/V entry is passed to give credit of the same to clients.
   ➢ Procedure followed in case of default by client/ sub broker's client:

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- ➤ **Payment to sub brokers / remisiers:** A separate client account is maintained for branch (sub-broker's) client transactions. Funds are transferred to the said account whenever funds are required for payout.
- ➤ **Any third party transfer of funds? If yes , policy in this regard:** No third party funds are accepted.

7. BOLT Terminal

- ➤ **Procedure of accepting & placing of orders:** Usually Orders are received over telephone. Orders are placed only after verifying scrip name and code, quantity, buy or sell and client code. Some clients also visit office and place orders face to face.
- ➤ **Factors determining the trading limit for each terminal / client:** only one terminal is allocated for client trading at admin office. Client wise trade limits are set based on their financial background.
- ➤ **Control over operator to ensure that he is entering authorized trades only:** Limit has been set for each client based on his net worth & reviewed on regular basis.
- ➤ In case where terminals have been located abroad, then Opening of terminal abroad is in compliance with SEBI Guidelines – No terminal abroad.

8. Contract Notes

- ➤ **Whether printing of contract note is centralised? If not, Place from which CN are printed:** Generation of contract notes is centralized. CNs for trades executed for direct clients are printed at admin office and of those executed for sub-broker's clients are printed at branch (sub-broker's) office.
- ➤ **Procedure for printing CN in case of outstation clients / sub broker clients:** CNs of outstation clients are printed at admin office and sent by courier.
- ➤ **Basis of numbering:** CNs are numbered continuously starting at 1 for sett.no.1
- ➤ **System for maintaining duplicates & acknowledgement for CNs:** ECN Acknowledgement is saved.
- ➤ Whether consent for change in e-mail id is obtained through physical letter from the clients? - Yes

9. Securities

- ➤ **System of pay in and pay out of securities from / to clients:** Securities are received from designated beneficiary accounts of clients. If the client delivers securities from other than designated account then a written note is obtained from the client. Direct Payout is made for

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purchased securities. In case of auction payout, manual instructions are given to DP for payout of securities.

➤ <u>Separate Own Beneficiary Account maintained or not</u>: Maintained
➤ <u>Client wise segregation of securities maintained or not</u>: Maintained
➤ <u>Whether Clients' securities maintained with Member</u>: No
➤ <u>Procedure for check on Third party security transfer/ acceptance</u>: EPI through block mechanism is used.
➤ <u>Policy to ensure that client's securities are not mis-utilised for own purposes or for any other client</u>: No such practices carried out.

10. Monthly/Quarterly Settlement

➤ Details regarding the policy and procedure adopted for settlement of running account
➤ Whether inter-client adjustments are done for the purpose of settlement of running account. - No

11. Statements of Accounts

➤ Whether statement of accounts for funds and securities are issued on monthly or quarterly basis. – Quarterly Basis as all clients have opted for quarterly basis
➤ Whether the statement explains the retention of funds/securities and the details of the pledge. - No Securities are retained for any client.
➤ Whether statement of accounts is issued from the branches/sub-broker's office/authorized person's office. If yes, the procedure followed for issuance and the maintenance of the duplicates and proof of delivery.- Only Head office issues statement to all clients
➤ Whether statement of accounts are issued physically or digitally? – Digitally and in case if any client requests for physical the same is issued.

12. Execution of POA (Power of attorney) (if applicable) -

➤ Process adopted for execution of POA. : NA
➤ Internal control adopted to ensure that POA is not misused.: NA

13. Closure of client accounts / dormat account

➤ <u>What type of documentation (both inward and outward) undertake for closure of account</u>: Accounts are usually closed on death of a client or when a client intends to close the account. As we have limited clientele, it is easy to monitor active and

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inactive clients. If a client has not traded even once in the financial year, then such client is marked as inactive. Eventually if such client wants to resume trading with us, then their KYC is checked and if there is any deficiency in the KYC, then the client is asked to complete the same before resuming trading.

> In case of dormant account (12 month), what extra caution taken before execution of trade in such account: Client is asked to complete any deficiency in KYC. Client are asked to inform in writing if any change in bank and demat accounts, change in address, etc. if there is any change, then the documentary proof regarding the same is obtained.

14. Receiving and Execution of Orders

> Mode of order acceptance at HO/Branches/Sub-brokers office/AP's offices: Over Telephone or verbally by clients who visit office.
> Any document is maintained for the clients who personally walk into the office and place the order? – Almost all our clients trade through telephone
> System for identifying authenticity of caller when the order is placed through telephone: As we have limited clientele, we know well all our clients personally.

15. Portfolio Manager

> Whether Trading Member acting as a portfolio manager? - No
> Procedure for client registration, order execution, contract notes issuance and settlement mechanism followed for the same. – N.A.
> Whether any of the client of the TM is acting as a portfolio manager? - No

16. Brokerage Charged

> Brokerage schemes provided to the clients? - Yes
> Elaborate on the schemes provided?- Yes

17. Client Margin Information – No margin trading facility is given to client.

> Process for evaluating exposure to be given to the clients? N.A.
> Whether client margin information is sent to the clients? – N.A.
> Whether it contains all the required information as prescribed in the circular? – N.A.
> What is the mode of informing to clients? N.A.
> Whether proof of delivery/dispatch is maintained for the above purpose. – N.A.

18. Collection and reporting of margins

- ➢ Details of the policy and procedures adopted for collection of margin from the clients and details regarding the methodology adopted (separately) for calculation of value of margins received from the clients.
- ➢ There are systems in place to verify whether the list of collaterals which cannot be considered as margins as specified by stock exchanges are not taken in to account while calculating margins of the clients
- ➢ A details processes are adopted for reporting of margins collected from clients to the stock exchanges viz upload of margin file, timelines for such upload, etc..

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