

Internal Control Policy

Ratnakar Securities Pvt. Ltd.

304, SANKALP SQUARE II, Nr. Jalaram Mandir Crossing, Ellisbridge, Ahmedabad - 380006

Ratnakar Securities Private Limited (RSPL) has been incorporated in 07th October, 1994.

M/s. Ratnakar Securities Private Limited (RSPL) was started by Mr. Ajay J. Shah as a broking firm & Depository Participant, catering to individual retail investors. **RSPL** holding the membership of National Stock Exchange (NSE), Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India SX (MCX-SX) and is a Depository Participant of National Securities Depository Limited (NSDL).

The company has adopted various policies & procedures for internal control measures & tools for compliance of various Acts, rules & regulations of the Exchanges/Depository.

INTRODUCTION/REGISTRATION OF CLIENTS

Basis of accepting as client

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. We believe in full implementation of KYC norms and total observation of client risk levels. Our Client Application form contain the details of all require documents for each category of client. We are having centralized KYC Department at our Head Office who receives applications from all our APs and Sub Brokers located at various locations of Gujarat and outside of Gujarat. We have given training to our employees, Authorised Persons (AP) and Sub Brokers for the KYC requirements.

New client, fill up and sign full account opening form contain KYC form and other Compulsory and voluntary documents. The required documents should be collected from the clients strictly as per the documents mentioned in the checklist of the client registration form. In person verification is done by either Employee of RSPL or AP/Sub Broker. All forms collected by AP or Sub Brokers are sent to head office of the company. KYC department at head office, checks the application forms, agreements and supporting documents thoroughly. At the time of checking of these forms, PAN number is verified from the IT site. Again these forms are checked and verified by the employee of firm of Chartered Accounts before allotting new client code. In case of any deficiency in the form, the respective APs/sub brokers are intimated and client code is allotted after rectifying the deficiency. After allotting client code full Client registration form with all documents given by clients are Scanned and stored in one system. Backup of this record are stored in other system on hourly basis.

Before allotting client code, we call to client at its registered mobile number and verified details of clients which he/she given in its Client Registration Form and after verifying genuiness of client we generate UCC code. We are

providing Client Registration Documents (CRD) along with welcome letter and/or after signature of documents by both parties. In case of old clients, we have provided/are providing CRD on demand only. Periodically we shifted Client Registration Forms from Main Office to our godown.

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

We are not outsourcing Client Registration modalities.

FUNDS

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

We have maintained separate bank accounts for client dealings & follow SEBI\Exchanges norms related to that. Subsequent to the trades executed by respective clients, obligation payments are collected by cheques\RTGS\NEFT from the client and same is deposited into designated client account of RATNAKAR SECURITIES PVT.LTD. Payments are made via account payee cross cheque / RTGS / NEFT in favour of respective clients as per their request.

No cash or third party collections and /or payments are undertaken or permitted.

Clients generally have their running maintenance account with us so they are not required to clear their accounts before pay-in time. However list of debtors is reviewed on a daily bases and clients are reminded to settle their accounts as soon as possible.

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

Initial margin is collected through Cheque or collaterals and accordingly Margin limit for trading as per defined rules is provided to the client. Subsequent to the trading activities of the clients, Margin requirement of each client is confirmed and collected from the respective client. Credits so received are posted into respective client ledger / margin statement accordingly. Client wise Risk monitoring\management is done in derivative segment, along with control on margin & MTM obligations.

We are not doing any funding activity apart from Settlement Funding on temporary basis in case of delay in payment by client.

Credit / transfer of Dividend to the clients / own dividend

Credit/Payment of Dividend is being made to clients within due time from receipt of intimation/credit in Bank Account in case of Client Account.

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

List of debtors is reviewed on a daily bases and clients are reminded through phone calls to settle their accounts as soon as possible. SMS is also being sent to clients who have provided their Mobile no. and are running in debit balance in his ledger EOD. As we have mentioned earlier, we have allotted client codes in such a way that the client can be identify by the Authorised Persons, branch or sub broker under which he/ she is registered. First, the client is served by the AP/branch/sub broker under whom he/she is registered. It is the responsibility of individual AP, branches and sub brokers to monitor debit balances of their clients on daily basis. In addition of this mechanism there are various control reports available through back office system for effective collection i.e. Client wise, Sub broker wise and branch wise aging analysis. Accounts department follows up with APs, and sub brokers on a daily bases for long time dues of clients.

There are very rare instances of default which is due to strict Risk Management Policy adopted by RSPL and usually action for sell of shares in case of nonpayment within 3 days from the date of trading.

SECURITIES

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

To ensure that clients are delivering the shares from their own account and all the deliveries to/from the clients correspond with the details provided by the client with their registration. The statement should be checked with the securities obligation of the clients. Any third party delivery from the clients should not be delivered to clearing house. If client provides sufficient written proof of ownership of such account/share, than after updating client database, client may be given effect of the same. The reports provided by Exchange should be used to check whether there is any short pay-in/out of securities to/from clearing house.

The company will be making direct pay-out of shares to client account of which details are given in Client Registration Forms. The direct pay-out file should be created by the back office software. The instruction slips for shares delivery from the Pool account in case of client to client transaction or break delivery from the Clearing house should be signed by Authorised Signatories of the Company.

Ratnakar Securities Private Limited have maintained Separate Client Beneficiary Account for each exchanges.

It has been instructed and policy has been put in system not to use any of the securities for third party or own account. Also system generates file for third party transfer for every settlement which is being taken care by senior executives. Clients' securities maintained with Member Broker only i.e. RSPL.

NOW TERMINAL

Procedure of accepting & placing of orders

Order is being placed in the system as per request from client depending on available credit of fund or securities in clients' ledger, financial background of client in case of big order or high value trade, nature of settlement of account of fund (whether immediately or after gap of few days) by client, submission of proof of payment, if it necessary, nature of scrip like group, liquidity etc.

Factors determining the trading limit for each terminal / client

Limit is being provided to Client/Terminal on VAR base margin. In case of increase of limit, all above factors is being considered by ADMIN. And excel sheet is maintained to ensure validity of certification of approved users with person who handle Admin.

Receiving And Execution of Orders

Orders are executed generally on phone. However, few clients used to come to our offices and give their orders in live market. We also have few clients who can place their orders online by themselves through internet. We have allotted client codes in such a way that the client can be identified under which APs / branch / sub broker the client is registered. We insist our client to give call for their orders at that specific APs / branch / sub broker only. And so it becomes easier for our terminal operators to verify the identity of the clients before putting their orders. Phone recording of all trading related calls is done at HO. Daily back up is also taken of this call data. All online orders are routed through secure website and ONLY clients have access to their respective login & passwords. Passwords are reset every 15 days to maintain security. We also send SMS for the trade details to those clients who have provided us their mobile numbers and availed facility of intimating them through SMS. We do send contract notes for the trades done by the clients for the day within the time prescribed by the Exchange.

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

In case of regular client, this is being identified by Dealers who use to place orders on behalf of client who speaks to respective client usually. In case of new client or client who trades rarely, Dealer use to enquire client about his

identity (PAN Details, Postal Address, Date of Birth etc.) to ensure genuineness of Client.

CONTRACT NOTES, DAILY MARGIN STATEMENT, QUARTERLY STATEMENTS OF ACCOUNTS AND REGISTER OF SECURITIES TO CLIENTS

Contract notes and daily Margin Statement are generated only from Head Office. We send Combine Contract note with daily margin statement every day through email at clients registered Email IDs and log of sending email are maintain. For few clients we used to send the same via courier. We are also maintaining POD in such case. Additionally Branch offices are given right to print the Contract notes cum bills. After printing of the Contract notes cum bills with daily margin statement we used to send the same to each and every client within 24 hours of trade. Quarterly Statement of Accounts sending to clients through Email and clients who does not provide email id or wrong or close email id to whom send physical statement at its registered address.

Apart from printed Serial No. on Contract Note, Back Office Software also generates and keeps track of running serial nos. for the financial year.

PMLA

The PMLA policy has been framed and has been kept in place in system to ensure compliance of PMLA.

CLOSURE OF CLIENT ACCOUNTS / DORMANT ACCOUNT

When a client approaches us with a request for closure of account, we after verifying the client's outstanding obligations, if any, and accepting the client's written request, initiate the procedure to close the client's account. However, all the documents/papers obtained at the time of opening the client's account and /or received thereafter from time to time are kept by us for a period of time as prescribed by the SEBI/Stock-Exchanges.

As far as Dormant accounts are concerned, we do not close such accounts, but, mark the same as "inactive" till further action by the concerned client.

POLICY FOR UNAUTHENTIC NEWS CIRCULATION

The purpose of the drafting this policy is to Protect Investors against Unauthenticated News Circulation by the Company's Employees/ Temporary Staff or other dealing person and by company Infrastructure.

As per code of conduct for Stock Broker in SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 and SEBI circular Cir/ISD/1/2011 dated March 23, 2011, all SEBI registered market intermediaries are required to have

proper internal code of conduct to govern the conduct of its Employees. In view of same, **RSPL** implements code of conduct for communicating through various modes of communication.

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.

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.

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.

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. If an 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 disciplinary action.

Access to Blogs/chat forums/messenger sites etc. has been restricted by **RSPL** and is not allowed.

This policy can be modified/amended/alterd as required from time to time in compliance of the relevant provisions/regulations in this regard.

INVESTOR REDRESSAL MECHANISM

We have kept IG Register at our offices and offices of our registered AP /sub brokers / branch. Moreover the designated email id for investor grievance is created for effective investor grievance handling. The same is displayed on the website of Trading Member and printed on contract notes & KYC Forms. It is checked on the daily basis. The complaint received if any is forwarded to Legal and Compliance department of the company. The resolution of the complaint is subsequently coordinated and handled by the legal department of the company. In case of complaint received at APs / branch / sub broker offices or offices of sub brokers, all the complaints are first solved by them and then reported to Head office for reference. In case of the unresolved complaints after seven days, they are forwarded to the legal department of Head office. Legal department then handles the complaint in coordination with the APs / branch / sub broker and concerned departments.

BACKUP POLICY

All important data backup is taken on daily basis. Backup is taken to prevent loss of data in the event of equipment failure or destruction. There shall be a separate or set of storage for each backup day. Every month a monthly backup shall be made using the latest backup on the USB hard disk and the same is taken to separate location by the directors.

FOM, RATNAKAR SECURITIES PVT. LTD

Ajeet Rajwade
Director / Authorised Signatory