

## **Internal Control Policy**

### **Details**

Investsmart Stock Brokers Pvt.Ltd. Popularly Known as ISBPL is one of today's upcoming equity research and broking houses of Indore. ISBPL offers a wide range of wealth generation solutions to individuals and institutions based on creative value-investing ideas. Its strength lies in its customer-centric approach and a firm commitment to make your money work for you.

ISBPL was Incorporated onn 10-sep-2009 by group of persons, having the rich heritage of vast & valuable experience in Capital, Derivative and Commodity Market to provide financial services to Retail, High Net worth Individuals, Corporate and Institutional clients. Soon after, it acquired membership of National Stock Exchange of India Ltd. (NSEIL), Bombay Stock Exchange Ltd. (BSE) and United Stock Exchanges. ISBPL holds registration from Securities and Exchange Board of India (SEBI) to trade, in Equity, Derivatives & Currency segment of NSEIL, Equity & Derivative segment of BSE & currency segment of USE.

We give personalized premium service with reasonable Brokerages & state of art technology on the NSE SEBI Regn No: INB/INF / INE 231379034, BSE SEBI Regn No: INB/INF 011379030 & USE Regn No: INE271379039 . We started Broking since July, 2010 onwards.

We are a corporate stockbroker with experience in this highly complicated yet engrossing world of Stock Markets. Our name is backed by a stand-out and visionary Promoter and Management Team, high caliber human resource and state-of-the-art infrastructure with high investor & client friendly standards.

### **Introduction/Registration of clients:**

**Account Opening Process:** We have broadly categorized the clients into two segments:

#### **Individuals**

#### **Others**

**Individuals:** This category of accounts are opened and operated by Individuals, Hindu Undivided Family (HUF) and Non-Resident Indians (NRI's).

**Others:** Others include partnership firms and corporate etc.

#### **Distribution of KYC to prospective client:**

The Sub broker /AP/ branches as well as H.O. distribute KYC forms to the Prospective clients. Company provides forms to Sub brokers/branches/AP etc.

### **Collection of KYC form from client**

KYC Forms duly filed along with supporting are received directly from the client by branches / sub-brokers/AP/H.O. as the case may be. In person verification is done at this stage as per well defined company policy.

### **Checking of Application Forms and information capturing in the system.**

The forms are checked for their completeness and correctness with the supporting documents, by the Account Opening Team at H.O and any deficiency observed is corrected immediately.

### **Re-checking of Forms**

Forms are checked and the key fields are entered into system. A Unique Client Code (Trading Code) is allotted to the clients. Allocation of Client code is systemized so that the same code is not allotted to another client.

### **Final checking of Forms**

Forms are once again re-checked with the information captured in the system & mapping to respective exchanges.

### **Documentation of Forms**

Forms are then Kept On safe Custody for documentation.

When forms are received, the same are required to be checked by the responsible person for completeness of Forms. After checking of forms the information is captured in the system by the account opening team. The form contains a checklist regarding the particulars and documents required. The forms also contain the space for initials of the account opening team to fix the responsibility of the person who has checked the forms.

When the company enters into business agreement with the intermediary a unique code is assigned to that intermediary. When this intermediary sends a client form, a unique client code is allotted to the clients.

At the time of opening of account in client master, brokerage rate is also entered in the brokerage master. The rate of brokerage for intermediaries is revised with the consent of management and intermediaries whereas the revision in brokerage rate of client is done with the consent of intermediaries and client there is no interference of the management in that change. The revised brokerage is updated by different person in back office and not by account opening department.

For the purpose of having better internal control, we have defined user's right protected by user id and passwords, which are in, align with the policy of the company & limitations of the software.

Persons who are processing data in back office department does not have right to create, edit or modify the information in masters.

**Dispatch of KYC Kit**– We provide the copy of KYC etc. to the client & proper acknowledgement is kept as per SEBI\Exchanges guidelines. Welcome letter containing UCC ID along with the active segment information is send electronically on the registered e-mail id of client.

## **PMLA**

We have a Policy pertaining to Prevention of Money Laundering Act & also implemented according to Procedure written in the Policy.

## **Opening and Closing of branches/ sub broker offices**

For opening of branch and sub brokers offices, in accordance to the circular reference no. 604, NSE/MEM/9421 dated 31<sup>st</sup> August 2007, circular reference no 580, NSE/MEM/8607, dated March 02,2007 and circular reference no534 NSE/MEM/7743 dated August 09,2006. Company opted the detailed procedure as prescribed in the above-mentioned circulars. For the closure of the branch and sub brokers' office, in accordance with the circular reference number 428, NSE/MEM/5548 dated October 26 2004, all the requirement as prescribed are complied with.

Before closure we informed all the constituents of that sub-broker about such closure via-emails, telephone etc. so that they can settle their pending issues if any. Besides that, we notify the same in regional newspaper of that area where the sub broker carrying on its business about such proposed closure.

For the closure of Branch and sub broker office, in accordance to the circular reference no.428, NSE/MEM/5548 , all the requirements like request from Trading Member for surrender of registration of sub broker, application from sub broker for surrender of registration , public notification, intimating the investors / general public of the surrender, issued in the local newspaper are complied with.

## **Closure of client account/ Dormant Account**

For the closure of account, we have a separate policy.

We have a policy for dormant & inactive account.

## **Trading:**

Trading at all dealing terminal is done by certified dealers using a fair code practice.

## **Terminal**

We have a RMS system for determining the trading limit for each terminal / client. We receive the order from clients manually as well as telephonically. We execute telephonically received orders after confirming the client

identification by asking some personal information from the clients for ensuring their authenticity\identity. Dealer inform to clients regarding their transaction during the day or after the market hours as the case may be. In later stage after completion of back office activities, contract note sent to the clients. We have a proper system to check the validity of approved user on terminals and ensure that certificate of approved users has not expired. Also we have adopted a proper trade modification policy as per Sebi\Exchanges guidelines.

### **Contract Notes**

Contract Note is the confirmation of trade(s) done on a particular day for and on behalf of a client. A digital contract note is issued to a client within 24 hrs of the execution of trade with attachment of digital certificate of authorized signatory and log file for the same is maintained. Contract notes No. are maintained on financial year basis. Proper Log for ECN is kept & monitored for delivery etc.

### **Collection and release of payments of funds & securities:**

#### **Collection & Release of Funds:**

- Subsequent to the trades executed by respective clients, obligation payments are collected by cheques\RTGS\EFT from the client and same is deposited into designated client account of INVESTSMART STOCK BROKERS PVT.LTD.
- Payments are made via account payee cross cheque / Banker's chq / CMS / RTGS / NEFT in favour of respective clients as per their request.
- No cash collections and /or payments are undertaken or permitted.
- We have a proper policy for receipt & payment of funds & securities including pre-funded instruments.

#### **Collection & Release of Securities:**

- Securities so sold in the market are called for Pay-in obligation from each respective client.
- Delivery of securities is done as per respective client authorization i.e. either auto transfer facility and/or as per request to the designated client Beneficiary Account.
- We have a proper policy for receipt & payment of funds & securities.

We have maintained separate bank accounts & Demat accounts for client dealings & follow Sebi\Exchanges norms related to that.

### **Collections and maintenance of margins:**

- Initial margin is collected through cash 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.

### **Monitoring of Branches / sub brokers etc.:**

- We work in Centralized Risk Management, Accounting, Billing & Contracting, Compliance functions. Branches also keep monitoring risks from client. However, business development, dealing and allied functions are being monitored via respective branch / sub-broker etc. offices.
- There are pre-set and defined supervisory mechanisms for controlling and monitoring activities of Branches, Sub Brokers, etc.
- Routine / Periodic Internal Inspections and Audits are conducted on branches / sub-brokers to maintain and control business activities and functions as per well defined policy.

### **Operation and compliance requirement:**

- Unique client code allocated to the client is uploaded to NSE , BSE & USE as required.
- Compliance Dept. ensures that Books, records and registers are kept and maintained as per prescribed rules and regulations.
- All activities regarding monitoring and redressal of the grievances of the investors is as per company policy for Investor Grievances. Compliance of rules, regulations, notifications and guidelines etc are controlled and monitored by designated Compliance Officer and is periodically reported to the Board.

### **Payment of dividends:**

- Credits so received on account of dividends on behalf of the clients for securities so kept with us for collateral are credited / posted into respective client ledger statement, on the routine basis. This process is automatised by use of back office software i.e. there is no manual calculation & finding of eligible clients.

### **Continuity planning / Alternate plan in case of disasters etc:**

- We have installed proper power backup & state of art technology. We also have a proper backup system in place and have multiple mode of Connectivity for trading access and also for back office / support access.
- Routines / Specific back-up for the records and registers are kept and maintained by designated department and is retrieved at regular intervals for cross-checking its authenticity, etc.