

Internal Control Memorandum

Policy, Procedures & Authorisation



money must grow

AY Securities and Commodities Ltd.

(Confidential)

ACCOUNT OPENING

Account Opening Forms:

Account Opening Process – The prospective client is interviewed by our official, who obtains the duly filled KYC form along with Tariff Sheet, Rights and Obligations, Guidance Notes, Policies & Procedures, RDD (Risk Disclosure Document), Voluntary Documents and other supporting documents. We have broadly categorized the clients into two segments:

- > Individuals & HUF
- > Others

Individuals & HUF: This category of accounts are opened and operated by Individuals and Hindu Undivided Family (HUF).

Others: Others include partnership firms, corporate Bodies, etc.

Existing System

Collection of CRAF by the prospective client >> Receipt of duly filled Client Registration Application Forms with supporting documents>> Ist Checking of Application Forms and allotment of the unique client code >>IInd Re-checking of Forms and capturing of information into the system >> Final checking of Forms >> Documentation of Forms.

Collection of CRAF by client:

The clients collect CRAF forms from the company.

Receipt of Client Registration Application Forms

Client Registration Application Forms duly filled along with supporting are received through various Intermediaries and some times they are also received directly from the client.

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 Staff and the key fields are entered into system. Originals of the Documents submitted are required for due verification at the time of submission of the KYC. A Unique Client Code (Trading Code) is allotted to the clients and same is uploaded at Exchange. Allocation of Client code is routed through an excel sheet so that the same code is not allotted to another clients and back office software does not allow to open the same code for another client.

Following are the documents required along with the KYC:-

1. Copy of MAPIN UIN Card / PAN Card / Passport / Driving License / Voter's Identity Card (for Individual / Proprietor / Partners / Directors / Karta / Trustees / Authorized Persons as the case may be as a Proof of Identity)
2. Copy of Passport / Driving License / Voter's Identity Card / Ration Card / Bank Passbook / Rent Agreement / Flat Maintenance Bill / Telephone Bill / Electricity Bill

(for Individual / Proprietor / Partners / Directors / Karta / Trustees / Authorized Persons as the case may be as a Proof of Address)

3. Copy of a Cancelled Cheque Leaf / Bank Statement / Bank Passbook containing Name of the Client.
4. Copy of Annual Reports and Balance Sheets for Last 2 Financial Years and Income Tax Return for last 2 Financial Years (Copies Annual Reports & Balance Sheets to be submitted every Year) (for Non-Individuals).
5. Copy of Latest Shareholding Pattern including List of all those (including their Photographs) holding more than 5% in the Share Capital of the Company and Persons authorized to deal in Securities / Contracts, duly certified by the Managing or Whole time Director or Company Secretary (updated Shareholding Pattern to be submitted every Year) (for Corporates).
6. Copy of the Partnership Deed (for Partnership Firms), Copy of Memorandum and Articles of Association and copy of the Board Resolution approving Participation in Equities / Derivatives Trading and naming Authorized Persons for Dealing in Securities (for Corporates)

Any overwriting, corrections, deletions are to be countersigned. Signature on all pages of the Agreement and other locations are obtained from the constituent. Forms incomplete in any respect are rejected and are registered only after ensuring that the same have been completed in all respect. IN person verification is done by the employees for every client. The clients are de-duped with the list of persons barred by SEBI and UN Security Council. The AML compliance with regards to identification of the client as a high risk client is carried out. Accounts of NRI/Foreigners are not allowed to be opened.

Re-checking of Forms

Forms are checked with the key Information entered into the system and any discrepancy observed is corrected immediately.

Final checking of Forms

Forms are once again re-checked with the information captured in the system.

Documentation of Forms

Forms are then sent for documentation.

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. A copy of the KYC docket containing the KYC Form along with Tariff Sheet, Voluntary Documents and other supporting documents are sent to the client with the welcome letter and the login id and password. The client is instructed to verify the details like the Name, Address, Bank and other details, PAN etc. and report in case of any discrepancy.

For the purpose of having better internal control, we have defined user right protected by user id and passwords, which are in, align with best practices followed in the industries.

Acceptance of Client Orders:

In all offices we have authorized persons who are TERMINAL operators. These TERMINAL operators who attend the Clients' Orders have been assigned Clients and Clients have been advised to contact particular person for placing/modifying/canceling their sales/purchase Orders. Every TERMINAL operator would first ensure that person contacting personally / over phone is client himself. The orders are entered on the trading system with due care regarding the security, quantity, rate etc. Confirmation for execution of market orders is given immediately and limit orders are confirmed upon execution. No order to be entered at unrealistic rates even if instructed by the client. In case of orders being executed in the wrong code the same is rectified immediately upon identification. Only orders that meet the risk management parameters are accepted based on the balances of the clients.

Collection and release of payments to clients:

Collection: - Person authorized to collect dues from clients (at HO it is Accounts Assistant and at branches it is Branch Managers) review outstanding to be received on continuous basis. It is imperative that amounts are to be collected on due dates. In case of delay by any client or in case of cheque being dishonored, necessary follow up is ensured by the officials. It is ensured that the payments are received from the respective clients only. In case where it has been identified that there is a receipt from an account that does not belong to any client then the amount is returned to the same account.

Release of Payments:- All the payment to the Clients are on made on due date. However those clients who have given us a Running Account Authorization and do not want payments for their convenience are paid on demand. All the payments are made to the respective clients only.

Monitoring of Branches/APs:

We have a centralized system for the back office and accounting procedures. The branches are under direct control of Head Office.

Branch Managers are experienced, knowledgeable and qualified. Branch Manager is adequately briefed about conducting Commodity Broking business. Common software program have been provided to Branch. Branch Managers have been instructed to comply with guidelines/instructions of SEBI /Exchanges and ensure best service to our Clients.

Opening and Closing of branches/ AP offices: Opening and Closing of branches and AP offices are, in accordance to the Exchange's circular. Our Company has opted the detailed procedure for opening and closing of Branched and AP Offices as prescribed in said circulars. For the closure of any branch or AP office, all requirement as prescribed shall be complied

with. Before closure we informed to all the constituents of that AP 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 AP carrying on its business about such proposed closure. For the closure of Branch and AP office, in accordance prescribed circular, all the requirements like request from Trading Member for surrender of registration of AP, application from AP for surrender of registration, public notification, intimating the Clients/general public of the surrender, issued in the local newspaper are complied with.

Inspection:

Trading member to inspect on a yearly basis –

- 10% active AP;
- 10% of active branches;
- Each active AP/Branch to be inspected at-least once in every 5 years

Payment of Dividend:

Dividends received on securities of the Clients / Trading Members are transferred to them on the same day.

Investor Grievances Redressal Mechanism (Trading and Clearing):

We have a separate Customer Care Desk dedicated to help and assist the clients in their day to day operations and to minimize the possibility of complaints. Any person having a grievance or complaint may approach either the Customer Care or the Branch or the Head Office for redressal of his complaint.

The facts are ascertained from the record and from the concerned officials, the matter thereafter discussed with the client and all attempts are made to resolve it amicably and to the satisfaction of the client. All unresolved complaints are escalated to the Head Office and the same is dealt with as per the regulatory requirements.

All the Branches and Authorized Persons maintain Complaint Book. The Notice board indicating the contact person's details at the Head office is also displayed at all locations to facilitate the clients to escalate the matters as and when necessary. We have also created an exclusive email ID for receipt of client complaints which is monitored by the Compliance Officer of the Company.

Issuance of Contract Note:

Contract notes are issued to the clients as per the regulatory requirement within 24 hours of execution of the traded. The Contract Notes are issued in both the forms i.e. Electronic as well as in Physical form subject to their preferences. A contract note shall be signed by authorized signatory. Names of these authorized signatories will be printed on the Contract Notes.

Contract note is time stamped with the time of receipt of order and the time of execution of order. The contract notes is numbered with unique running serial number commencing from one at the beginning of every financial year (v.i.z. April to March).

Contract Notes also indicate brokerage charged to the Client.

Advertisement Policy:- Company give advertisement for recruitment purpose and also to Promote its business. Exchange prescribed the code in which a Member can give its advertisement. Company gives its advertisement in the code prescribed/approved by Stock Exchange for the purpose or after taking the prior approval from the Exchange.