

Ortem Securities Limited

POLICY ON CLIENT CODE MODIFICATION

Circular: - Ref.

Policy created by	Compliance Team
Policy reviewed by	Compliance Officer
Policy reviewed on	30.12.2023
Policy Approved by	Board of Directors
Policy approved on	27.02.2024

Version - 1.0

Objective

To frame the guidelines for rare / exceptional modification to client codes post trade execution and reporting of such Client Code Modifications.

Brief about Client Code Modification

Client Code Modification means modification / change of the client codes after execution of trades in rare or exceptional cases. Stock Exchanges provide a facility to modify any client code after the trade has been executed to rectify any error or wrong data entry done by the dealers at the time of punching orders. However, such Client Code modification is subject to certain guidelines as to the time limit within which the client code modification is to be carried out, terminal / system on which such modifications can be done etc. The facility is mainly to provide a system for modification of client codes in case genuine errors in punching / placing the orders. It is to be used as an exception and not as a routine process. To prevent misuse of the facility Stock Exchanges levy penalty / fine for all non-institutional client code modification.

Scope of the Policy

This policy covers all the Client Code Modifications carried out / to be carried out in any of the client accounts, subject to the guidelines issued by the SEBI / Stock Exchanges from time to time, in any segment of any exchange for which Axis Capital Ltd. is a member.

"Error Trades" means the trades which will be modified / to be modified / allowed, to be modified subject to guidelines of the SEBI / Stock Exchanges and this policy. For the purpose of this Policy, only the following types of trades shall be modified / allowed to be modified, genuineness or error if the pre-condition of error modification:

- Error due to communication and/or punching or typing such that the original client code/ name and the modified client code / name are similar to each other.
- Modification within relatives ('Relative' for this purpose would mean "Relative" as defined under the Companies Act, 1956) iii. Punching error / typing error of client codes due to any genuine error or mistake in order entry, while punching the order, by any of dealer.
- Trade entered for wrong client due to any miscommunication from the client.
- Modification within family members.
- Institutional trades modified to broker error account.

General Conditions

- The facility for Client Code Modification can be used only in case of Error Trade.
- The Client Code Modification shall be carried out only on the designated system and / or as per the process as may be prescribed by SEBI / Stock Exchange and this policy.

- The client code modification shall be carried out after due approval from compliance / senior management i.e. the modification needs to be done by Risk Team only after due approval by Compliance head / Dealing Head or Organization Head.

Internal Control

No client code modification shall be done save and except in unavoidable, rare or exceptional cases, without first informing the CEO or the Business Head and the Senior Sales Traders, Compliance Officer and Head of Back office.

Surveillance

A record for client code modification cases will be maintained on every financial year basis.

For M/s. ORTEM SECURITIES LIMITED,

ORTEM SECURITIES LIMITED

Sanjay Agrawal

Wholetime Director / Director

Sanjay Agrawal
Director

Ortem Securities Limited

POLICY ON INTRODUCTION & REGISTRATION OF CLIENTS INCLUDING IPV & POLICY ON ONBOARDING OF NEW CLIENTS & POLICY ON ACCEPTANCE OF CLIENTS

Circular: - Ref.

Policy created by	Compliance Team
Policy reviewed by	Compliance Officer
Policy reviewed on	30.12.2023
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Version - 1.0

Acceptance of clients

The company is governed by the byelaws, rules, and regulations of the SEBI and Multi Commodity Exchange of India Limited and National Commodity and Derivatives Exchange Limited. The authorities have specified minimum documentation and verification required before opening an account of a client, which is quite extensive. We do not outsource client registration service. Apart from that the authorities have made rules and regulations and issued circulars from time to time for proper governance of securities market. Compliance of these rules and regulations ensures that all the transactions have proper audit trail as well as client verification. However, all representatives of the company must ensure following while opening an account of a client and doing transaction with them:

- No account is opened in a fictitious / benami name or on an anonymous basis.
- Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.
- Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the AML Rules, Directives and Circulars issued by SEBI from time to time.
- Ensure that an account is not opened where the company is unable to apply appropriate Client Due Diligence measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. The company shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. The company shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the company shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.
- The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with the intermediary, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.

- Necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide
- The Client Due Diligence process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT)

Registration Procedure

Individual Clients

- Generally, a client is introduced by another existing client or by new/existing branch head/relation managers/ Authorised Persons. However, if a client approaches directly, a proper verification of address, occupation and credential must be carried out by the Compliance Officer.
- Know your client (KYC) / Client Registration form must be duly filled up and the information regarding residence/correspondence address, bank details, depository details must be verified with the original documents and if required from any other authentic sources.
- The Client must provide a recent photograph and necessary identity proof and address proof as specified in the KYC form.

Non Individual Clients

- The company will open a trading account for Non-individual entity, if the Partner/ Director/ Karta of Partnership Firm/ Company/ HUF respectively is our client and he/she has been properly verified as mentioned for individual clients.
- Copies of PAN card, financials for last 2 years or from inception of such entity if such entity is not older than 2 years, must be obtained strictly.
- Shareholding pattern and list of controlling persons must be obtained
- Photograph of each Partner/Whole time Director/Karta/controlling person and details must be obtained as specified by the SEBI and Stock Exchange.

The registration forms which are duly filled in and signed are collected and sent to the Head Office. In-person Verification/ Digital KYC is done by the employees/ Authorised Person (AP). Verifying Personnel's Name, Designation Signature and date of verification is marked in the Registration form. Then the client details are entered in the Back Office software after receipt of the original forms and supporting documents.

For outstation clients an online verification through SKYPE or any other such mode is carried out after receiving the hard copy of account opening form in HO.

Defective forms are sent back to the clients/AP for rectification with a covering note. For all satisfactory forms, PAN is checked with IT site and then required additional details, if any are entered in the back office, based on the Original form.

For individual clients we have incorporated financial details in our client registration kit and it is ensured that the same is duly filled by the client and the bank statement for the previous three months and minimum six months for derivative clients/ last ITR copy is also collected from the clients. For Corporate clients we are collecting at least 2 years' audited financial statements and income tax return.

Thereafter, the Unique Client Code (UCC) code is generated and activates the account after cross verification of all the details once again. The Required client details are then uploaded to Commodity Exchange site. After obtaining the Success file the same is given for mapping in the trading terminal.

A welcome kit including a welcome letter mentioning the Client code, Xerox copy of the Client registration form are sent to the Client and the proof of dispatch is maintained. The Unique Client Code activated for the client is intimated to the client by means of E-mail & SMS simultaneously.

All the Client forms and the supporting documents are kept in safe custody at the Head Office. We have also started the process of updating the Client details including the financial details at regular intervals. This process is done in co-ordination with the APs.

Execution Procedure

Client Registration Policy

- The agreement along with the Know Your Client (KYC) and Risk disclosure document (RDD) should be signed by the client. The required documents should be collected from the clients strictly as per the documents mentioned in the checklist of the agreement book.
- Primary Client Agreement checking by Back Office executive.
- Final Checking by Senior Back Office Executive including interview if required.
- Allotment of Client Code.
- Uploading the client details to the MCX by Senior Back Office executive or Compliance Officer.
- On receipt of Valid Report, confirming the codes allocated to clients by Back office executive.

- Final Review by Internal Auditors.
- Periodical Review of financial data by Compliance Officer on yearly basis of all active clients by Back Office executive.
- Deactivation of Client Code by Senior Back Office executive on receipt of written documents from Client and/or written instruction from Compliance Officer/ Board of Directors.
- Intimation in writing to Client regarding deactivation of client code & reason thereof.
- Keeping client Registration kit of closed account separately and/or handover records to legal department.
- Accounts introduced by 'deactivated client' to review & report the same to Compliance Officer.

Closure of Client Accounts

The Client accounts shall be closed upon receipt of a closure request received from the client as per the specific format as decided by the Company, from time to time. 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 or the date of re-activation of dormant account whichever is later.

Settlement of account shall mean that there is no outstanding balance in the books of the client and the same is confirmed by the client. The date of confirmation shall be the effective date of settlement. If the Client has credit balance in his/ her account, the remaining amount will be refunded to the client and if the client has debit balance in his/ her account, he/she will clear all his/ her dues first before closing the accounts.

If the account is dormant and the client wants to close his/ her account, he/ she will follow the procedure of re-activation of dormant account first as per the Company's policy on Re-activation of Dormant Accounts. His/ her account will be closed only after re-activation of dormant accounts successfully.

Dormant Accounts & Procedure of Re-activation

In case of dormant trading accounts in which no transaction has been placed during the last 365 days (Three Hundred and Sixty-Five days) i.e., 12 calendar months, the account of the client shall be suspended and the client shall not be permitted to execute a fresh transaction in the account unless the client provides either of the following:

- A written request in hard copy along with completed & signed Dormant Account Reactivation Form to reactivate the account and process the transaction duly signed by Client and submitted to HO along with the latest 6 months' bank statements for updating the financial details.
- Concerned Dealers are required to check the identity of the person before taking down orders.

- The said client before placing orders has to confirm their KYC requirements as provided earlier and in case the KYC requirement stands changed meanwhile, he will be required to first comply with the latest one.

The Compliance Team shall take necessary measures to reactivate the dormant clients after verifying all the documents.

For M/s. ORTEM SECURITIES LIMITED,

ORTEM SECURITIES LIMITED

Sanjay Agrawal

Wholetime Director / Director

Sanjay Agrawal
Director

Ortem Securities Limited

POLICY FOR DEALING WITH CONFLICTS OF INTEREST OF INTERMEDIARIES

(Issued as per the requirements of PMLA Act 2002)

Master Circular: - Ref. SEBI has issued circular No. CIR/MIRSD/5/2013 dated August 27, 2013

Policy created by	Compliance Team
Policy reviewed by	Principal Officer
Policy reviewed on	30.12.2023
Policy Approved by	Board of Directors
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Version - 1.2

1. Introduction

Our organization is officially recognized as a stock broker and depository participant, having registered with Market Infrastructure Institutions (MIIs) such as stock exchanges and depositories through the Securities and Exchange Board of India (SEBI). We offer a range of services related to trading and depository operations.

2. Background

SEBI has issued guidelines vide their circular Ref No. CIR/MIRSD/5/2013 dated August 27, 2013, regarding Conflicts of Interest of Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories and their Associated Persons in Securities Market.

In view of the above, the meaning of "Associated Person" and "Intermediaries" are provided hereunder:

- ✓ "Associated person" means a principal or employee of an intermediary or an agent or distributor or other natural person engaged in the securities business and includes an employee of a foreign institutional investor or a foreign venture capital investor working in India;
- ✓ "Intermediary" means an entity registered under sections 11 or 12 of the SEBI Act, 1992 and includes any person required to obtain any membership or approval from a stock exchange or a self-regulatory organization; therefore, in view of the above all employees, agents (sub broker and AP), distributors engaged in securities business will be covered under this policy.

In order to ensure the protection and primacy of client's interests and to comply with the applicable regulations, we have framed a policy and procedures and aims at preventing situations involving conflicts of interests and resolving such situations if they could arise. This policy describes our approach to the identification, prevention and management of conflicts of interests that may arise in the conduct of our activities.

3. Definition of Conflict of Interest:

Broadly, a conflict of interest is likely to arise when a given situation conflicts with the interests of a client.

The three categories of potential conflict are as follow:

- ✓ Conflicts between clients, for example giving one client preferential treatment in comparison to another client for the same service;
- ✓ Conflicts involving clients and organization and / or its Associated Persons, for example, if we offer a service that would give it a higher return to the detriment of the client's interest;
- ✓ Conflicts involving clients and employees, for example, our employees use confidential information about clients for the purpose of performing transactions on their own account.

4. Identification of Potential Conflict of Interest:

For this purpose, we identify various possible conflicts of interest situations that could arise in the conduct of its activities and that could conflict the interest of a client because of the Company or other related person:

- ✓ Is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- ✓ Has an interest in the outcome of a service provided to the client or a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- ✓ has a financial or other incentive to favour the interest of another client (or group of clients) over the interest of the client to whom the service is provided;

- ✓ operates the same business activity as the client receives or will receive from someone other than the client a benefit in connection with the service provided to the client, in any form whatsoever, other than the standard commission or fee for that service.

It is used as a basis to ensure that appropriate organizational arrangements and procedures are in place to prevent and manage potential conflicts of interest and that appropriate controls are performed.

5. Measures to curb conflicts of interests:

Organizational measures:

We are structured in such a way so as to segregate functions that are vulnerable to conflicts of interest. Right from Senior Management level to marketing teams, the functions should be clearly segregated.

Control functions (Compliance, Risk Management) are completely independent and they monitor the business activities on a continuous basis so as to make sure that internal control procedures are appropriate.

Security of confidential information held, is also ensured in a way that limited access is given on a strictly need to know basis only.

The employees are given the opportunity to report any potential or actual conflict of interest situations to the senior management level.

6. Procedures and rules governing the handling of orders and primacy of the client interest:

We comply strictly with the rules of the financial markets in which it operates and does not allow orders to be given preferential treatment. Appropriate training of employees is being conducted to ensure that they are fully aware of their responsibilities and obligations. There may be some complex or specific cases where we believe that control functions are not sufficient to guarantee, with reasonable certainty, that the risk of harming the client interest will be prevented. In these cases, we will clearly inform the client of the general nature and source of the conflict of interest before acting so that the client can take an informed investment decision.

Any service provided by or activity carried on by organization that gives rise to or may give rise to a conflict of interest involving a significant risk of adversely affecting the interest of one or more clients must be recorded and presented before the Management so as to put in place the systems for resorting to such conflicts by reviewing the implementation of the said policy as and when necessary.

7. Guiding Principles of the Policy:

All employees and Associated Person/s with the Company covered under this Policy shall adhere to following principles and practices to avoid conflict of interest at all points:

- ✓ To maintain high standards of integrity in the conduct of business at all times.
- ✓ To ensure to communicate policies, procedures and code to all concerned.
- ✓ To ensure fair treatment of clients and not to discriminate amongst them;
- ✓ To ensure that Company's personal interest does not, at any time conflict with our duty towards our clients and clients' interest shall always takes primacy in our advice, investment decisions and transactions;
- ✓ To make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair our ability to render fair, objective and unbiased services;
- ✓ Endeavor to reduce opportunities for conflicts through prescriptive measures such as through information barriers to block or hinder the flow of information from one department/ unit to another, etc.;

- ✓ To place appropriate restrictions on transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict;
- ✓ Not to deal in securities while in possession of material non-published information;
- ✓ Not to communicate the material non-published information while dealing in securities on behalf of others;
- ✓ Not to contribute in manipulating the demand for or supply of securities in the market or to influence prices of securities;
- ✓ Not to provide incentive structure that encourages sale of products not suiting the risk profile of clients;
- ✓ Not to share information received from clients or pertaining to them, obtained as a result of our dealings, for our personal interest.

Change in the Policy will be adopted as and when required by the company and is binding on all the Staff/Employees/and Directors of the Company.

For M/s. ORTEM SECURITIES LIMITED,

ORTEM SECURITIES LIMITED

Sanjay Agrawal

Wholetime Director / Director

**Sanjay Agrawal
Director**

Ortem Securities Limited

POLICIES & PROCEDURES ADOPTED FOR PREVENTION OF MONEY LAUNDERING

(Issued as per the requirements of PMLA Act 2002)

Master Circular: - Ref. SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated- February 03, 2023

Policy created by	Compliance Team
Policy reviewed by	Principal Officer
Policy reviewed on	30.12.2023
Policy Approved by	Board of Directors
Policy approved on	27.02.2024

Version - 1.5

1. Policy

It is our policy to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets.

2.1. Written Anti Money Laundering Procedures

We have adopted these written procedures to implement the anti- money laundering provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following three specific parameters which are related to the overall 'Client Due Diligence Process':

- ✓ Policy for acceptance of clients
- ✓ Procedure for identifying the clients
- ✓ Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR).
- ✓ Risk Management

2.2. Client Due Diligence (CDD)

The CDD measures shall comprise the following:

- ✓ Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or person on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- ✓ Verify the client's identity using reliable, independent source documents, data or information. Where the client purports to act on behalf of juridical person or individual or trust, we shall verify that any person purporting to act on behalf of such client is so authorized and verify
- ✓ Provided that in case of a Trust, the reporting entity shall ensure that trustees disclose their status at the time of commencement of an account-based relationship.
- ✓ the identity of that person." Identifying beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted. The beneficial owner shall be determined as under-

Where Client is Individual:

Where the client is an individual, he shall submit to the reporting entity, the Aadhaar number where,

- ✓ he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or

- ✓ he decides to submit his Aadhaar number voluntarily to a banking company or any reporting entity notified under first proviso to sub-section (1) of section 11A of the Act; or
- ✓ the proof of possession of Aadhaar number where offline verification can be carried out; or
- ✓ the proof of possession of Aadhaar number where offline verification cannot be carried out or any officially valid document or the equivalent e-document thereof containing the details of his identity and address; and
- ✓ the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
- ✓ such other documents including in respect of the nature of business and financial status of the client, or the equivalent e-documents thereof as may be required by the reporting entity

Provided that if the client does not submit the Permanent Account Number, he shall submit one certified copy of an 'officially valid document' containing details of his identity and address, one recent photograph and such other documents including in respect of the nature or business and financial status of the client as may be required by the reporting entity.

[Explanation. - Obtaining a certified copy by reporting entity shall mean comparing the copy of officially valid document so produced by the client with the original and recording the same on the copy by the authorised officer of the reporting entity in a manner prescribed by the regulator.]

Where Client is Company:

The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means. Explanation: - For the purpose of this sub-clause: -

- ✓ "Controlling ownership interest" means ownership of or entitlement to more than ten per cent of shares or capital or profits of the company;
- ✓ "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;

Where Client is Partnership Firm:

The beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of/ entitlement to more than ten percent of capital or profits of the partnership or who exercises control through other means. Explanation: - For the purpose of this clause: -

- ✓ "Control" shall include the right to control the management or policy decision;

Where Client is an Unincorporated Association or Body of Individuals:

The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen per cent of the property or capital or profits of such association or body of individuals.

Where no natural person is identified above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

Where Client is Trust:

The identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with ten per cent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership; and

Where Client or the owner of the controlling interest is an entity listed on a stock exchange in India, or it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions notified by the Central Government, or it is a subsidiary of such listed entities, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.

Applicability for Foreign Investors:

For dealing with foreign investors' may be guided by SEBI Master Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19,2022 and amendments thereto, if any, for the purpose of identification of beneficial ownership of the client.

Provided that where the Regulator is of the view that money laundering and terrorist financing risks are effectively managed and where this is essential not to interrupt the normal conduct of business, the Regulator may permit the reporting entity to complete the verification as soon as reasonably practicable following the establishment of the relationship; and in all other cases, verify identity while carrying out-

- ✓ transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or
- ✓ any international money transfers operations.

As per Prevention of Money-laundering (Maintenance of Records) Amendment Rules, 2015, Rule 9

- ✓ Every reporting entity shall within [ten days] after the commencement of an account-based relationship with a client, file the electronic copy of the client's KYC records with the Central KYC Records Registry;
- ✓ The Central KYC Records Registry shall process the KYC records received from a reporting entity for de-duplicating and issue a KYC Identifier for each client to the reporting entity, which shall communicate the KYC Identifier in writing to their client;
- ✓ Where a client submits a KYC Identifier to a reporting entity, then such reporting entity shall retrieve the KYC records online from the Central KYC Records Registry by using the KYC Identifier and shall not require a client to submit the same KYC records or information or any other additional identification documents or details, unless -
 - there is a change in the information of the client as existing in the records of Central KYC Records Registry;
 - the current address of the client is required to be verified;
 - the reporting entity considers it necessary in order to verify the identity or address of the client, or to perform enhanced due diligence or to build an appropriate risk profile of the client.
- ✓ A reporting entity after obtaining additional or updated information from a client under sub rule (1C), shall as soon as possible furnish the updated information to the Central KYC Records Registry which shall update the existing KYC records of the client and the Central KYC Records Registry shall thereafter inform electronically all reporting entities who have dealt with the concerned client regarding updation of KYC record of the said client.

- ✓ The reporting entity which performed the last KYC verification or sent updated information in respect of a client shall be responsible for verifying the authenticity of the identity or address of the client.
- ✓ A reporting entity shall not use the KYC records of a client obtained from the Central KYC Records Registry for purposes other than verifying the identity or address of the client and shall not transfer KYC records or any information contained therein to any third party unless authorised to do so by the client or by the Regulator or by the Director;
- ✓ The regulator shall issue guidelines to ensure that the Central KYC records are accessible to the reporting entities in real time.
- ✓ A reporting entity may rely on a third-party subject to the conditions that-
 - the reporting entity immediately obtains necessary information of such client due diligence carried out by the third party;
 - the reporting entity takes adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;
 - the reporting entity is satisfied that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;
 - the third party is not based in a country or jurisdiction assessed as high risk;
 - the reporting entity is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable.

In case of Non-Individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:

Types of entity	Documentary requirements
Corporate	<ul style="list-style-type: none"> ✓ Copy of the balance sheets for the last 2 financial years (to be submitted every year). ✓ Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year). ✓ Photograph, POI, POA, PAN and DIN numbers of whole-time directors/two directors in charge of day to day operations. ✓ Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly. ✓ Copies of the Memorandum and Articles of Association and certificate of incorporation. ✓ Copy of the Board Resolution for investment in securities market.

	<ul style="list-style-type: none"> ✓ Authorised signatories list with specimen signatures.
Partnership firm	<ul style="list-style-type: none"> ✓ Copy of the balance sheets for the last 2 financial years (to be submitted every year). ✓ Certificate of registration (for registered partnership firms only). ✓ Copy of partnership deed. KYC/AML Policy ✓ Authorised signatories list with specimen signatures. Photograph, POI, POA, PAN of Partners.
Trust	<ul style="list-style-type: none"> ✓ Copy of the balance sheets for the last 2 financial years (to be submitted every year). ✓ Certificate of registration (for registered trust only). ✓ Copy of Trust deed. ✓ List of trustees certified by managing trustees/CA. ✓ Photograph, POI, POA, PAN of Trustees.
HUF	<ul style="list-style-type: none"> ✓ PAN of HUF. ✓ Deed of declaration of HUF/ List of coparceners. ✓ Bank pass-book/bank statement in the name of HUF. ✓ Photograph, POI, POA, PAN of Karta.
Unincorporated association or a body of individuals	<ul style="list-style-type: none"> ✓ Proof of Existence/Constitution document. ✓ Resolution of the managing body & Power of Attorney granted to transact business on its behalf. ✓ Authorized signatories list with specimen signatures.
Banks/Institutional Investors	<ul style="list-style-type: none"> ✓ Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years. ✓ Authorized signatories list with specimen signatures.
Foreign Institutional Investors (FII)	<ul style="list-style-type: none"> ✓ Copy of SEBI registration certificate. KYC/AML Policy ✓ Authorized signatories list with specimen signatures.
Army/ Government Bodies	<ul style="list-style-type: none"> ✓ Self-certification on letterhead. ✓ Authorized signatories list with specimen signatures.
Registered Society	<ul style="list-style-type: none"> ✓ Copy of Registration Certificate under Societies Registration Act. ✓ List of Managing Committee members. ✓ Committee resolution for persons authorised to act as authorised signatories with specimen signatures. ✓ True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.

Monitor of compliance

The compliance of the aforementioned provision on identification of beneficial ownership shall be monitored by the Board of Directors.

- ✓ Verifying the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information.
- ✓ Understanding the ownership and control structure of the client.
- ✓ Conducting ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with our knowledge of the client, its business and risk profile, considering, where necessary, the client's source of funds.
- ✓ We shall review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be, when there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained client identification data; and
- ✓ We shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process such that the information or data collected under client due diligence is kept up-to-date and relevant, particularly for high risk clients.
- ✓ We shall register the details of a client, in case of client being a non-profit organisation, on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after the business relationship between a client and we have ended or the account has been closed, whichever is later.
- ✓ Where we are suspicious that transactions relate to money laundering or terrorist financing, and reasonably believes that performing the CDD process will tip-off the client, we shall not pursue the CDD process, and shall instead file a STR with FIUIND."
- ✓ No transaction or account-based relationship shall be undertaken without following the CDD procedure."

2.3. Policy for acceptance of clients:

The client acceptance policies and procedures aim to identify the types of clients that are likely to pose a higher than average risk of ML or TF. By establishing such policies and procedures, we will be in a better position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. In a nutshell, the following safeguards will be followed while accepting the clients:

- ✓ No account is opened in a fictitious / benami name or on an anonymous basis or account on behalf of other persons whose identity has not been disclosed or cannot be verified
- ✓ Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.

- ✓ Clients of special category (CSC) - Such clients shall include the following:
 - Non - resident clients
 - High net-worth clients,
 - Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
 - Companies having close family shareholdings or beneficial ownership
 - “Politically Exposed Persons” (PEPs). PEP shall have the same meaning as given in clause (db) of sub-rule (1) of rule 2 of the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005. The additional norms applicable to PEP as contained in the **subsequent paragraph 14** of the Master Circular shall also be applied to the accounts of the family members or close relatives of PEPs.”
 - **Clients in high risk countries - While dealing with clients from or situate in high risk countries or geographic areas or when providing delivery of services to clients through high risk countries or geographic areas i.e. places where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the following – Havens/ sponsors of international terrorism, offshore financial centres, tax havens, countries where fraud is highly prevalent. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, we shall apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org), also independently access and consider other publicly available information. We shall specifically apply EDD measures, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF.**
 - Non-face to face clients - Non-face to face clients means clients who open accounts without visiting the branch/offices or meeting the officials of our company. Video based customer identification process is treated as face-to-face onboarding of clients
 - Clients with dubious reputation as per public information available etc.
 - Clients with foreign exchange offerings.
 - The above-mentioned list is only illustrative and we shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.
- ✓ Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.
- ✓ Ensure that an account is not opened where it is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to us is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. We shall not continue to do business with such a person and file a suspicious activity report. It shall also

evaluate whether there is suspicious trading in determining whether to freeze or close the account. We shall be cautious to ensure that we do not return securities of money that may be from suspicious trades. However, we shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.

- ✓ The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with us, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.
- ✓ Necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide
- ✓ The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

2.4. Client identification procedure:

- ✓ The KYC policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the client relationship, while carrying out transactions for the client or when we have doubts regarding the veracity or the adequacy of previously obtained client identification data. we shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):
 - We shall proactively put in place appropriate risk management systems to determine whether its existing client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs. Further, the enhanced CDD measures shall also be applicable where the beneficial owner of a client is a PEP.
 - Senior management approval would be obtained for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, we shall obtain approval from Director to continue the business relationship.
 - We shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
 - The client shall be identified by using reliable sources including documents / information. We shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
 - The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by us in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.

- Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority (Principal Officer).
- ✓ SEBI has prescribed the minimum requirements relating to KYC from time to time. Considering the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, we shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices. Further, we shall conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued there under so that the we are aware of the clients on whose behalf it is dealing.
- ✓ We shall formulate and implement a CIP which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients and such other additional requirements that is considered appropriate to enable to determine the true identity of its clients.

It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to us from obtaining the minimum information/ documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by us. This shall be strictly implemented by us and non-compliance shall attract appropriate sanctions.

2.5. Reliance on third party for carrying out Client Due Diligence (CDD)

- ✓ We may rely on a third party for the purpose of
 - Identification and verification of the identity of a client and
 - Determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.
- ✓ Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, it is clarified that we shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable. In terms of Rule 9(2) of PML Rules:
 - We shall immediately obtain necessary information of such client due diligence carried out by the third party.
 - We shall take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay

- We shall be satisfied that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;
- The third party is not based in a country or jurisdiction assessed as high risk

2.6. Risk Management

Risk-based Approach:

- ✓ It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, we shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that we shall adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that we shall obtain necessarily depend on the risk category of a particular client.
- ✓ Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk
 - In order to achieve this objective, all clients of the branch should be classified in the following category:
 - **High Risk**- Clients who fall under the category of CSC.
 - **Medium Risk** - Customers that are likely to pose a higher than average risk to the broker may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc. such as
 - Persons in business/industry or trading activity where the area of his residence or place of business has a scope or history of unlawful trading/business activity.
 - Where the client profile of the person/s opening the account, according to the perception of the branch is uncertain and/or doubtful/dubious.
 - **Low risk** - Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as low risk. The illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government Departments and Government owned companies, regulators and statutory bodies etc. In such cases, only the basic requirements of verifying the identity and location of the customer shall be met.

Risk Assessment:

- ✓ We shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc.
- ✓ The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment shall be documented, updated regularly and made available to competent authorities and self-regulating bodies, as and when required.
- ✓ We shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and existing products we shall ensure:
 - To undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
 - Adoption of a risk-based approach to manage and mitigate the risks”
- ✓ The risk assessment shall also consider any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions. These can be accessed at the URL http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>

2.7. Monitoring of transactions

- ✓ Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. This is possible only if we understand the normal activity of the client so that it can identify deviations in transactions / activities.
- ✓ We shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. We may specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIUIND/ other relevant Authorities, during audit, inspection or as and when required. These records will be maintained and preserved for a period of five years from the date of transaction between the clients and company.
- ✓ We shall apply client due diligence measures also to existing clients on the basis of materiality and risk, and conduct due diligence on such existing relationships appropriately. The extent of monitoring shall be aligned with the risk category of the client.
- ✓ We shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the

Director, FIU-IND. Suspicious transactions shall also be regularly reported to the higher authorities (Director) within company

- ✓ Further, the compliance cell of company shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.
- ✓ All regulatory alerts generated by the Market Infrastructure Institutions (MIIs) shall be monitored by the Principal Officer for necessary action to be taken.

2.8. Suspicious Transaction Monitoring and Reporting

- ✓ We shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, we shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.
- ✓ A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:
 - Clients whose identity verification seems difficult or clients that appear not to cooperate
 - Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing/business activity;
 - Clients based in high risk jurisdictions;
 - Substantial increases in business without apparent cause;
 - Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
 - Attempted transfer of investment proceeds to apparently unrelated third parties;
 - Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export- import of small items.
- ✓ Any suspicious transaction shall be immediately notified to the Money Laundering Control Officer (Principal Officer) or any other designated officer within organization. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/ suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Principal Officer/ Money Laundering Control Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.
- ✓ It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. It is clarified that we shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.
- ✓ This policy categorizes clients of high-risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'CSC'. Such clients shall also

be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

Supplemental Guidelines for detecting suspicious transactions under rule 7(3) of Prevention of Money

Laundering (Maintenance of Records) Rules, 2005 -

- ✓ With a view to revise and update the Red Flag Indicators (hereinafter referred to as 'RFIs'), FIU - IND had constituted a Working Group consisting of members from various stakeholders in the securities market, FIU-IND and SEBI. Based on the recommendation of the Working Group, certain RFIs have been identified. It has been felt that these RFIs should be implemented by the Reporting Entity (Res) concerned for generation of alerts and identification of suspicious transactions.
- ✓ Sub - Rule (3) of Rule 7 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005, as amended, empowers Director, FIU-IND to issue guidelines in consultation with Regulator for detecting suspicious transactions. These guidelines are being issued under the said Rule.
- ✓ These RFIs which are proposed to be implemented are mentioned in Annexure - A. Further, it is pertinent to mention that these RFIs are in addition to the RFIs issued vide FIU-IND's communication dated 11th March, 2016 issued vide F. No. 9-6/AG-11/2012/FIU-IND.
- ✓ The alerts generated by using the indicators as given in the guidelines should be properly analysed with a view to identify suspicious transactions as defined under the PMLA Rules, and if we conclude that case appears to be a suspicious transaction, then the case may be brought to the notice of FIU-IND by filling Suspicious Transaction Reports (STRs) following the prescribed procedure in this regard.
- ✓ The thresholds prescribed in these alert indicators are indicative and are derived based on data analysis and back - testing carried out by the Working Group. We are free to adopt stricter criteria and lower thresholds, but we may not adopt criteria less strict than that which is provided by FIU - IND herein in order to mitigate eminent AML / CFT risks specifically in cases where purposeful avoidance of such thresholds is observed by the organization
- ✓ It should be noted that the analysis process within the AML / CFT organizational setup within the company should be carried out in a manner that it should not lead to tipping-off. In this regard, we are cautioned that the requirement of confidentiality regarding reporting of transactions to FIU - IND extends not only to the customers concerned but also to other care must be taken to ensure that the fact of whether an STR has been filed in relation to a specific transaction or alert is not directly or indirectly disclosed. Any deviation in this regard will be viewed strictly.
- ✓ Designated Director and Principal Officer of the company concerned to implement the guidelines with immediate effect with reference to Financial Intelligence Unit-India (FIU-IND) letter ref. no. F. No. 9-2/2021/Intermediaries/FIU-IND dated July 21, 2022
- ✓ Further, penalties for non - compliance with obligation under Chapter IV of PMLA (including obligations to report STRs and to have in place an effective mechanism to detect and report STRs) may range up to Rs. 1 lakh per non - compliance.

Annexure A - Indicative Alert Indicators

Serial No	Alert Source	Alert Indicator	Indicative Rule / Scenario
1	Transaction Monitoring	TM 11 - Fund Received from Non - Clients	Single or multiple transfer of funds more than 1 Cr in a calendar month in brokers accounts which are not reported as clients.
2	Transaction Monitoring	TM 12 - Margin Trading	Sudden increase in the funding amount of Margin Trading Facility (MTF) exposure. 1. By more than 50% of MTF exposure of previous month AND; 2. With a value of more than Rs. 10 crores.
3	Transaction Monitoring	TM 13 - Off Market Transfer to unrelated accounts	1. Only for Reason code/s - off - market sale - Gift - Donation And; 2. Valuation per debit transaction will be > 25 lacs AND; 3. Exclude accounts with same PAN, mobile, email id, same bank details (IFSC + ac no) (same mobile / email / bank details in multiple demat account will be treated as related accounts) and family flag is enabled AND; 4. Valuation is > 5 times of income range.
4	Transaction Monitoring	TM 13A - Suspicious Off Market Credit and Debit	1. Customer receive credit / demat of 50,000 shares or shares worth Rs. 25 lakhs and above by single transaction or series of transactions in an ISIN AND; 2. 80% or more of credited shares gets debited by way Off Market transfers to 3 or more than 3 unrelated accounts AND; 3. Only Listed Equity Shares will be considered for this alert. (Monthly Frequency) Short Span of time is within 30 days.
5	Transaction Monitoring	TM 13B - Off Market Delivery in Unlisted Scrip	1. Single or Series of Transactions where more than 5,00,000 unlisted equity shares have been transferred within period of 1 month AND;

			<p>2. Off - Market Transfers with Reason Code "Off - Market Sale", "Donation" and "Gift" will be considered AND;</p> <p>3. Exclude own account transfer (first holder PAN) i.e., transfers made through account transfer cum closure module and with reason code transfer to own accounts. (Monthly Frequency)</p>
6	Transaction Monitoring	TM 13C - Gift, Donation related off-market transfer	<p>1. Transaction value of such transaction is beyond 5 times of income range / Net worth 9as updated in demat account) on higher side as provided by the BO AND;</p> <p>2. Listed Equity Shares will be considered AND;</p> <p>3. Debit transaction specific reason codes > 5 lacs in value AND;</p> <p>4. For Reason code/s - Family Account Transfer - Gift - Donation</p>
7	Transaction Monitoring	TM 13D - Off Market Transfer at variance with market value	<p>1. Off market transfers with reason code "Off - Market Sale" AND;</p> <p>2. Difference of +/- 50% difference in consideration value mentioned by BO and prevailing market value of Equity Shares AND;</p> <p>3. Only Listed Equity Shares will be considered AND;</p> <p>4. Minimum transaction value for alert will be Rs. 25 lakhs</p>
8	Transaction Monitoring	TM 13E - Off Market transfer in suspicious scrip	<p>1. Off Market single or series of transactions having value of Rs. 2 lakh and above AND;</p> <p>2. Suspicious Scrips for which unsolicited SMSs were circulated will be taken from below URLs BSE: https://www.bseindia.com/attention_investors.aspx NSE: https://www.nseindia.com/regulations/unsolicited-messages-report</p>

9	Employee initiated	EI 13 – Suspicious Closure of Account	<p>1. Accounts closed within 30 days of opening of Account and single or series of debit transactions (On Market, Off Market including IDT Transfer) with value > 10 lacs AND;</p> <p>2. Exclude own account transfer (first holder PAN) i.e., transfers made through account transfer cum closure module and with reason code transfer to own accounts. Also, if securities received in source account through transmission, then the same will be excluded.</p>
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2.9. Record Management

Information to be maintained

We will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

- ✓ the nature of the transactions;
- ✓ the amount of the transaction and the currency in which it is denominated;
- ✓ the date on which the transaction was conducted; and
- ✓ the parties to the transaction.

Record Keeping

- ✓ We shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.
- ✓ We shall maintain such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour.
- ✓ Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, we shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:
 - the beneficial owner of the account;
 - the volume of the funds flowing through the account; and
 - for selected transactions:
 - the origin of the funds
 - the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
 - the identity of the person undertaking the transaction;
 - the destination of the funds;

- the form of instruction and authority.
- ✓ We shall ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, we shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.
- ✓ Maintenance of the records of the identity of clients. –
 - Every reporting entity shall maintain the physical copy of records of the identity of its clients obtained, after filing the electronic copy of such records with the Central KYC Records Registry.
 - The records of the identity of clients shall be maintained by a reporting entity in the manner as may be specified by the Regulator from time to time.
 - Where the reporting entity does not have records of the identity of its existing clients, it shall obtain the records within the period specified by the regulator, failing which the reporting entity shall close the account of the clients after giving due notice to the client.
 - Explanation. - For the purpose of this rule, the expression "records of the identity of clients" shall include updated records of the identification data, account files and business correspondence.
- ✓ Furnishing of Report to Director. –
 - The persons shall furnish reports on the measures taken to the Director every month by the 10th day of the succeeding month.
 - The Director may relax the time interval above to every three months on specific request made by the reporting entity based on reasonable cause.
- ✓ Expenses for audit. –
 - The expenses of, and incidental to, audit referred to in sub-section (1A) of section 13 of the Act (including the remuneration of the accountant, qualified assistants, semi-qualified and other assistants who may be engaged by such accountant) shall be paid in accordance with the amount specified in sub-rule (2) of rule 14B of the Income-tax Rules, 1962 for every hour of the period as specified by the Director.
 - The period referred to in sub-rule (1) shall be specified in terms of the number of hours required for completing the report.
 - The accountant referred to in sub-section (1A) of section 13 of the Act shall maintain a time sheet and submit it to the Director, along with the bill.
 - The Director shall ensure that the number of hours claimed for billing purposes is commensurate with the size and quality of the report submitted by the accountant.
- ✓ More specifically, we shall put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:
 - all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;

- all series of cash transactions integrally connected including transaction remotely connected or related to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;
 - It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from ‘transactions integrally connected’, ‘transactions remotely connected or related’ shall also be considered.
- all transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;]
- all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- all suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into or from any non-monetary account such as demat account, security account maintained by the company.
- Where we do not have records of the identity of its existing clients, it shall obtain the records forthwith, failing which the registered intermediary shall close the account of the clients after giving due notice to the client.

Explanation: For this purpose, the expression “records of the identity of clients” shall include updated records of the identification date, account files and business correspondence and result of any analysis undertaken under rules 3 and 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

Retention of Records

- ✓ We shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and company.
- ✓ We are required to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of five years after the business relationship between the clients and company has ended or the account has been closed, whichever is later.
- ✓ Thus, the following document retention terms shall be observed:
 - All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed there under as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.
- ✓ We shall maintain and preserve the records of documents evidencing the identity of its clients and beneficial owners (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of five years after the business relationship between a client and we have ended or the account has been closed, whichever is later.

- ✓ In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.
- ✓ Records of information reported to the Director, Financial Intelligence Unit – India (FIU – IND):
we shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and company.

2.10. Procedure for freezing of funds, financial assets or economic resources or related services

- ✓ Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA.
- ✓ Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The Government is also empowered to prevent the entry into or transit through India of Individuals listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism.
- ✓ We shall ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated February 02, 2021 as listed below:
 - On receipt of the updated list of individual's/ entities subject to UN sanction measures (hereinafter referred to as 'list of designated individuals/ entities) from the Ministry of External Affairs (MHA)' and forwarded by SEBI, we shall take the followings steps:
 - All orders under section 35 (1) and 51A of UAPA relating to funds, financial assets or economic resources or related services, circulated by SEBI from time to time shall be taken note of for compliance.
 - An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <https://press.un.org/en/content/press-release>. The details of the lists are as under:
 - The "ISIL (Da'esh) & Al-Qaida Sanctions List", which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at: <https://www.un.org/securitycouncil/sanctions/1267/press-releases>.
 - The list issued by United Security Council Resolutions 1718 of designated Individuals and Entities linked to Democratic People's Republic of Korea <http://www.un.org/securitycouncil/sanctions/1718/press-releases>.

- We are directed to ensure that accounts are not opened in the name of anyone whose name appears in said list. We shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list.
- We will maintain updated designated lists in electronic form and run a check on the given parameters on a daily basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.
- We shall leverage latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements.
- In case, particulars of any of customers match with the particulars of designated individuals/entities, we shall immediately inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer on their books to the Central [designated] Nodal Officer for the UAPA, at Fax No. 011-23092551 and also convey over telephone No. 011-23092548. The particulars apart from being sent by post shall necessarily be conveyed through e-mail at jsctcr-mha@gov.in.
- We shall also send the copy of the communication mentioned above through post/fax and through e-mail (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Officer on Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU-IND.
- In case the aforementioned details of any of the customers match the particulars of designated individuals/entities beyond doubt, we shall prevent such designated persons from conducting financial transactions, under intimation to the Central [designated] Nodal Officer for the UAPA, at Fax No. 011-23092551 and also convey over telephone No. 011-23092548. The particulars apart from being sent by post shall necessarily be conveyed through e-mail at jsctcr-mha@gov.in.
- We shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts carried through or attempted, as per the prescribed format.
- FATF Secretariat after conclusion of each of its plenary, releases public statements and places jurisdictions under increased monitoring to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing risks. In this regard, FATF Statements circulated by SEBI from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered by company.
- We shall consider the risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statements. However, it shall be noted that the regulated entities are not precluded from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statements.

- ✓ On receipt of the particulars, Central [designated] Nodal Officer for the UAPA would cause a verification to be conducted by the State Police and /or the Central Agencies so as to ensure that the individuals/ entities identified by us are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by us are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.
- ✓ In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for benefit of the designated individuals / entities or any other person engaged in or suspected to be engaged in terrorism. The order shall take place without prior notice to the designated individuals/entities.
- ✓ Implementation of requests received from foreign countries under U.N. Security Council Resolution 1373 of 2001.
 - U.N. Security Council Resolution 1373 of 2001 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities owned or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities. Each individual country has the authority to designate the persons and entities that should have their funds or other assets frozen. Additionally, to ensure that effective cooperation is developed among countries, countries should examine and give effect to, if appropriate, the actions initiated under the freezing mechanisms of other countries.
 - To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the Central [designated] nodal officer for the UAPA for freezing of funds or other assets.
 - The Central [designated] nodal officer for the UAPA, shall cause the request to be examined, within five working days so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the nodal officer in SEBI and FIU-IND. The proposed designee, as mentioned above would be treated as designated individuals/entities.
 - Upon receipt of the requests by these Nodal Officers from the Central [designated] nodal officer for the UAPA, the list would be forwarded to us and the procedure shall be followed.
 - The freezing orders shall take place without prior notice to the designated persons involved.
- ✓ Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person

- Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to us.
 - We shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the Central [designated] nodal officer for the UAPA as per the contact details given above within two working days.
 - The Central [designated] nodal officer for the UAPA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, without delay, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned stock exchanges, depositories and company. However, if it is not possible for any reason to pass an order unfreezing the assets within five working days, the Central [designated] nodal officer for the UAPA shall inform the applicant expeditiously.
- ✓ Communication of Orders under section 51A of Unlawful Activities (Prevention) Act.
- All Orders under section 51A of the UAPA relating to funds, financial assets or economic resources or related services, would be communicated to stock exchanges, depositories and company through SEBI.
- ✓ Prevention of entry into or transit through India:
- As regards prevention of entry into or transit through India of the designated individuals, the UAPA Nodal Officer in the Foreigners Division of MHA, shall forward the designated lists to the immigration authorities and security agencies with a request to prevent the entry or the transit through India. The order shall take place prior notice to the designated individuals / entities.
 - The immigration authorities shall ensure strict compliance of the order and also communicate the details of entry or transit through India of the designated individuals as prevented by them to the UAPA Nodal Officer in the Foreigners Division of MHA.

2.11. Procedure for implementation of Section 12A of the “The Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005:

Section 12A of The Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 [hereinafter referred to as the Act] reads as under -

- ✓ No person shall finance any activity which is prohibited under this Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems.
- ✓ For prevention of financing by any person of any activity which is prohibited under this Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems, the Central Government shall have power to-

- freeze, seize or attach funds or other financial assets or economic resources-
 - owned or controlled, wholly or jointly, directly or indirectly, by such person, or
 - held by or on behalf of, or at the direction of, such person, or
 - derived or generated from the funds or other assets owned or controlled, directly or indirectly, by such person;

prohibit any person from making funds, financial assets or economic resources or related services available for the benefit of persons related to any activity which is prohibited under this Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems.

- ✓ The Central Government may exercise its powers under this section through any authority who has been assigned the power under sub-section (1) of section 7." II. In order to ensure expeditious and effective implementation of the provisions of Section 12A of the Act, the procedure is outlined below.

Appointment and communication details of Section 12A Nodal Officers:

- ✓ In exercise of the powers conferred under Section 7(1) of the Act, the Central Government assigns Director, FIU-India, Department of Revenue, Ministry of Finance, as the authority to exercise powers under Section 12A of the Act. The Director, FIU-India shall be hereby referred to as the Central Nodal Officer (CNO) for the purpose of this order. [Telephone Number: 01123314458, 011-23314435, 011- 23314459 (FAX), email address: dir@fiuindia.gov.in].
- ✓ Regulator under this order shall have the same meaning as defined in Rule 2(fa) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005. Reporting Entity (RE) shall have the same meaning as defined in Section 2 (1) (wa) of Prevention of Money- Laundering Act, 2002. DNFPBs is as defined in section 2(1) (sa) of Prevention of Money- Laundering Act, 2002.
- ✓ The Regulators, Ministry of Corporate Affairs and Foreigners Division of MHA shall notify a Nodal Officer for implementation of provisions of Section 12A of the Act. The Regulator may notify the Nodal Officer appointed for implementation of provisions of Section 51A of UAPA, also, as the Nodal Officer for implementation of Section 12A of the Act. All the States and UTs shall notify a State Nodal officer for implementation of Section 12A of the Act. A State/UT may notify the State Nodal Officer appointed for implementation of provisions of Section 51A of UAPA, also, as the Nodal Officer for implementation of Section 12A of the Act.
- ✓ The CNO shall maintain an updated list of all Nodal Officers, and share the updated list with all Nodal Officers periodically. The CNO shall forward the updated list of all Nodal Officers to all us.

Communication of the lists of designated individuals/entities:

- ✓ The Ministry of External Affairs will electronically communicate, without delay, the changes made in the list of designated individuals and entities (hereinafter referred to as 'designated list') in line with Section 12A (1) to the CNO and Nodal officers.
- ✓ Further, the CNO shall maintain the Designated list on the portal of FIU-India. The list would be updated by the CNO, as and when it is updated, as per para 2.1 above, without delay. It shall make available for all Nodal officers, the State Nodal Officers, and to the Registrars performing the work of registration of immovable properties, either directly or through State Nodal Officers, without delay.
- ✓ The Ministry of External Affairs may also share other information relating to prohibition/prevention of financing of prohibited activity under Section 12A (after its initial assessment of the relevant factors in the case) with the CNO and other organizations concerned, for initiating verification and suitable action.
- ✓ The Regulators shall make available the updated designated list, without delay, to us. We will maintain the designated list and update it, without delay, whenever changes are made as per para 2.1 above.
- ✓ The Nodal Officer for Section 12A in Foreigners Division of MHA shall forward the updated designated list to the immigration authorities and security agencies, without delay.

Regarding funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or insurance policies, etc.

✓ All Financial Institutions shall -

- Verify if the particulars of the entities/individual, party to the financial transactions, match with the particulars of designated list and in case of match, we shall not carry out such transaction and shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the CNO by email, FAX and by post, without delay.
 - Run a check, on the given parameters, at the time of establishing a relation with a customer and on a periodic basis to verify whether individuals and entities in the designated list are holding any funds, financial assets or economic resources or related services, in the form of bank accounts, stocks, Insurance policies etc. In case, the particulars of any of their customers match with the particulars of designated list, we shall immediately inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or insurance policies etc., held on their books to the CNO by email, FAX and by post, without delay.
 - We shall also send a copy of the communication, mentioned in 3.1 (i) and (ii) above, to State Nodal Officer, where the account/transaction is held, and to their Regulator, as the case may be, without delay.
 - In case there are reasons to believe beyond doubt that funds or assets held by a customer would fall under the purview of clause (a) or (b) of sub-section (2) of Section 12A, REs shall prevent such individual/entity from conducting financial transactions, under intimation to the CNO by email, FAX and by post, without delay.
- ✓ On receipt of the particulars, as referred to in Paragraph 3.1 above, the CNO would cause a verification to be conducted by the State Police and/or the Central Agencies so as to ensure that the individuals/entities identified by us are the ones in designated list and the funds, financial assets or economic resources or related services, reported by us are in

respect of the designated individuals/entities. This verification would be completed expeditiously from the date of receipt of such particulars.

- ✓ In case, the results of the verification indicate that the assets are owned by, or are held for the benefit of the designated individuals/entities, an order to freeze these assets under Section 12A would be issued by the CNO without delay and be conveyed electronically to us under intimation to respective Regulators. The CNO shall also forward a copy thereof to all the Principal Secretaries/Secretaries, Home Department of the States/UTs and All Nodal officers in the country, so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for the benefit of the designated individuals / entities. The CNO shall also forward a copy of the order to all Directors General of Police/ Commissioners of Police of all States/UTs for initiating suitable action.
- ✓ The order shall be issued without prior notice to the designated individual/entity.

Regarding financial assets or economic resources of the nature of immovable properties:

- ✓ The Registrars performing work of immovable properties shall- registration of immovable properties shall
 - Verify if the particulars of the entities/individual, party to the transactions, match with the particulars of the designated list, and, in case of match, shall not carry out such transaction and immediately inform the details with full particulars of the assets or economic resources involved to the State Nodal Officer, without delay
 - Verify from the records in their respective jurisdiction, without delay, on given parameters, if the details match with the details of the individuals and entities in the designated list. In case, the designated individuals/entities are holding financial assets or economic resources of the nature of immovable property, and if any match with the designated individuals/entities is found, the Registrar shall immediately inform the details with full particulars of the assets or economic resources involved to the State Nodal Officer, without delay.
 - In case there are reasons to believe beyond doubt that assets that are held by an individual/entity would fall under the purview of clause (a) or (b) of sub- section (2) of Section 12A, Registrar shall prevent such individual/entity from conducting transactions, under intimation to the State Nodal Officer by email, FAX and by post, without delay.
- ✓ The State Nodal Officer would cause communication of the complete particulars of such individual/entity along with complete details of the financial assets or economic resources to the CNO without delay by email, FAX and by post.
- ✓ The State Nodal Officer may cause such inquiry to be conducted by the State Police so as to ensure that the particulars sent are indeed of these designated individuals/entities. This verification shall be completed without delay and shall be conveyed, within 24 hours of the verification, if it matches, with the particulars of the designated individual/entity, to the CNO without delay by email, FAX and by post.
- ✓ The CNO may also have the verification conducted by the Central Agencies. This verification would be completed expeditiously.
- ✓ In case, the results of the verification indicate that the assets are owned by, or are held for the benefit of, the designated individuals/entities, an order to freeze these assets under Section 12A would be issued by the CNO without delay and be conveyed electronically to the concerned Registrar performing the work of registering immovable properties, and to FIU under intimation to the concerned State Nodal Officer. The CNO shall also forward a copy thereof to all the

Principal Secretaries/Secretaries, Home Department of the States/UTs and All Nodal officers in the country, so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for the benefit of the designated individuals / entities. The CNO shall also forward a copy of the order to all Directors General of Police/ Commissioners of Police of all States/UTs for initiating suitable action.

- ✓ The order shall be issued without prior notice to the designated individual/entity.

Regarding the real-estate agents, dealers of precious metals/stones (DPMS), Registrar of Societies/ Firms/ non-profit organizations, The Ministry of Corporate Affairs and Designated Non-Financial Businesses and Professions (DNFBPS):

- ✓ The dealers of precious metals/stones (DPMS) as notified under PML (Maintenance of Records) Rules, 2005 and Real Estate Agents, as notified under clause (vi) of Section 2(1) (sa) of Prevention of Money-Laundering Act, 2002, are required to ensure that if any designated individual/entity approaches them for sale/purchase of precious metals/stones/Real Estate Assets or attempts to undertake such transactions, the dealer should not carry out such transaction and, without delay, inform the Section 12A Nodal officer in the Central Board of Indirect Taxes and Customs (CBIC). Also, If the dealers hold any assets or funds of the designated individual/entity, they shall freeze the same without delay and inform the Section 12A Nodal officer in the CBIC, who will, in turn, follow procedure similar to as laid down for State Nodal Officer in the paragraphs 4.2 to 4.6.
- ✓ Registrar of Societies/ Firms/ non-profit organizations are required to ensure that if any designated individual/ entity is a shareholder/ member/ partner/ director/ settler/ trustee/ beneficiary/ beneficial owner of any society/ partnership firm/ trust/ non-profit organization, then the Registrar shall freeze any transaction for such designated individual/ entity and shall inform the State Nodal Officer, without delay, and, if such society/ partnership firm/ trust/ non-profit organization holds funds or assets of designated individual/ entity, follow the procedure as laid down for State Nodal Officer in the paragraphs 4.2 to 4.6 above. The Registrar should also ensure that no societies/ firms/ non-profit organizations should be allowed to be registered if any of the designated individual/ entity is a director/ partner/ office bearer/ trustee/ settler/ beneficiary or beneficial owner of such juridical person and, in case, such request is received, then the Registrar shall inform the State Nodal Officer, without delay.
- ✓ The State Nodal Officer shall also advise appropriate department of the State/UT, administering the operations relating to Casinos, to ensure that the designated individuals/ entities should not be allowed to own or have beneficial ownership in any Casino operation. Further, if any designated individual/ entity visits or participates in any game in the Casino or if any assets of such. designated individual/ entity is with the Casino operator, or if the particulars of any client match with the particulars of designated individuals/ entities, the Casino owner shall inform the State Nodal Officer, without delay, and shall freeze any such transaction.
- ✓ The Ministry of Corporate Affairs shall issue an appropriate order to the Institute of Chartered Accountants of India, Institute of Cost and Works Accountants of India and Institute of Company Secretaries of India (ICSI), requesting them to sensitize their respective members to the provisions of Section 12A, so that if any designated individual/entity approaches them, for entering/ investing in the financial sector and/or immovable property, or they are holding or managing any assets/ resources of designated individual/ entities, then the member shall convey the complete details

of such designated individual/ entity to Section 12A Nodal Officer in the Ministry of Corporate Affairs, who shall in turn follow the similar procedure as laid down for State Nodal Officer in paragraph 4.2 to 4.6 above.

- ✓ The members of these institutes should also be sensitized by the Institute of Chartered Accountants of India, Institute of Cost and Works Accountants of India. and Institute of Company Secretaries of India (ICSI) that if they have arranged for or have been approached for incorporation/ formation/ registration of any company. limited liability firm, partnership firm, society, trust, association where any designated individual/ entity is a director/ shareholder/ member of a company/ society/ association or partner in a firm or settler/ trustee or beneficiary of a trust or a beneficial owner of a juridical person, then the member of the institute should not incorporate/ form/ register such juridical person and should convey the complete details of such designated individual/ entity to Section 12A Nodal Officer in the Ministry of Corporate Affairs.
- ✓ In addition, a member of the ICSI shall, if he/she is Company Secretary or is holding any managerial position where any of designated individual/ entity is a Director and/or Shareholder or having beneficial ownership of any such juridical person, convey the complete details of such designated individual/ entity to Section 12A Nodal Officer in the Ministry of Corporate Affairs, who shall follow the similar procedure as laid down in paragraph 4.2 to 4.6 above for State Nodal Officer, if such company, limited liability firm, partnership firm, society, trust, or association holds funds or assets of the designated individual/entity.
- ✓ In case any designated individual/ entity is a shareholder/ director/ whole time director in any company registered with the Registrar of Companies (ROC) or beneficial owner of such company or partner in a Limited Liabilities Partnership Firm registered with ROC or beneficial owner of such firm, the ROC should convey the complete details of such designated individual/ entity to section 12A Nodal officer of Ministry of Corporate Affairs. If such company or LLP holds funds or assets of the designated individual/ entity, he shall follow the similar procedure as laid down in paragraph 4.2 to 4.6 above for State Nodal Officer. Further the ROCs are required to ensure that no company or limited liability Partnership firm shall be allowed to be registered if any of the designated individual/ entity is the Director/ Promoter/ Partner or beneficial owner of such company or firm, and in case such a request is received, the ROC should inform the Section 12A Nodal Officer in the Ministry of Corporate Affairs
- ✓ All communications to Nodal officer as enunciated in subclauses (i) to (vii) above should, inter alia, include the details of funds and assets held and the details of transaction
- ✓ The Other DNFBPs are required to ensure that if any designated individual/entity approaches them for a transaction or relationship or attempts to undertake such transactions, the dealer should not carry out such transaction and, without delay, inform the Section 12A Central Nodal officer. The communication to the Central Nodal Officer would include the details of funds and assets held and the details of the transaction. Also, if the dealers hold any assets or funds of the designated individual/entity, they shall freeze the same without delay and inform the Section 12A Central Nodal officer.

Note - (DNFBPs shall have the same meaning as the definition in Section 2(1) (sa) of Prevention of Money-Laundering Act, 2002.).

- ✓ All Natural and legal persons holding any funds or other assets of designated persons and entities, shall, without delay and without prior notice, freeze any transaction in relation to such funds or assets and shall immediately inform the State Nodal officer along with details of the funds/assets held, who in turn would follow the same procedure as in para 4.2 to 4.6 above for State Nodal Officer. This obligation should extend to all funds or other assets that are owned or controlled by the designated person or entity, and not just those that can be tied to a particular act, plot or threat of proliferation; those funds or other assets that are wholly or jointly owned or controlled, directly or indirectly, by designated persons or entities, and the funds or other assets derived or generated from funds or other assets owned or controlled directly or indirectly by designated persons or entities, as well as funds or other assets of persons and entities acting on behalf of, or at the direction of designated persons or entities.
- ✓ No person shall finance any activity related to the 'designated list' referred to in Para 2.1, except in cases where exemption has been granted as per Para 6 of this Order.
- ✓ Further, the State Nodal Officer shall cause to monitor the transactions / accounts of the designated individual/entity so as to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities in the designated list. The State Nodal Officer shall, upon becoming aware of any transactions and attempts by third party, without delay, bring the incidence to the notice of the CNO and the DGP/Commissioner of Police of the State/UT for initiating suitable action.
- ✓ Where the CNO has reasons to believe that any funds or assets are violative of Section 12A (1) or Section 12A (2)(b) of the Act, he shall, by order, freeze such funds or Assets, without any delay, and make such order available to authorities, Financial Institutions, DNFBPs and other entities concerned.
- ✓ The CNO shall also have the power to issue advisories and guidance to all persons, including FIs and DNFBPS obligated to carry out sanctions screening. The concerned Regulators shall take suitable action under their relevant laws, rules or regulations for each violation of sanction screening obligations under section 12A of the WMD Act.

Regarding exemption, to be granted to the above orders -

- ✓ The above provisions shall not apply to funds and other financial assets or economic resources that have been determined by the CNO to be: -
 - necessary for basic expenses, including payments for foodstuff, rent or mortgage, medicines and medical treatment, taxes, insurance premiums and public utility charges, or exclusively for payment of reasonable professional fees and reimbursement of incurred expenses associated with the provision of legal services or fees or service charges for routine holding or maintenance of frozen funds or other financial assets or economic resources, consequent to notification by the MEA authorizing access to such funds, assets or resources. This shall be consequent to notification by the MEA to the UNSC or its Committee, of the intention to authorize access to such funds, assets or resources, and in the absence of a negative decision by the UNSC or its Committee within 5 working days of such notification
 - necessary for extraordinary expenses, provided that such determination has been notified by the MEA to the UNSC or its Committee, and has been approved by the UNSC or its Committee;

- ✓ The accounts of the designated individuals/ entities may be allowed to be credited with:
 - interest or other earnings due on those accounts, or
 - payments due under contracts, agreements or obligations that arose prior to the date on which those accounts became subject to the provisions of section 12A of the Act. Provided that any such interest, other earnings and payments continue to be subject to those provisions under para 3.3;
- ✓ Any freezing action taken related to the designated list under this Order should not prevent a designated individual or entity from making any payment due under a contract entered into prior to the listing of such individual or entity, provided that
 - the CNO has determined that the contract is not related to any of the prohibited goods, services, technologies, or activities, under this Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems;
 - the CNO has determined that the payment is not directly or indirectly received by an individual or entity in the designated list under this Order, and
 - the MEA has submitted prior notification to the UNSC or its Committee, of the intention to make or receive such payments or to authorise, where appropriate, the unfreezing of funds, other financial assets or economic resources for this purpose, ten working days prior to such authorization

Regarding procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the individual or entity is not a designated person or no longer meet the criteria for designation:

- ✓ Any individual/entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held has been inadvertently frozen, an application may be moved giving the requisite evidence, in writing, to the relevant RE/Registrar of Immovable Properties/ ROC/Regulators and the State.
- ✓ The RE/Registrar of Immovable Properties/ROC/Regulator and the State Nodal Officer shall inform, and forward a copy of the application, together with full details of the asset frozen, as given by applicant to the CNO by email, FAX and by Post, within two working days. Also, listed persons and entities may petition a request for delisting at the Focal Point Mechanism established under UNSC Resolution.
- ✓ The CNO shall cause such verification, as may be required on the basis of the evidence furnished by the individual/entity, and, if satisfied, it shall pass an order, without delay, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant, under intimation to RE/Registrar of all Immovable Properties/ROC/Regulators and the State Nodal Officer. However, if it is not possible, for any reason, to pass an Order unfreezing the assets within 5 working days, the CNO shall inform the applicant expeditiously.
- ✓ The CNO shall, based on de-listing of individual and entity under UN Security Council Resolutions, shall pass an order, if not required to be designated in any other order, without delay, unfreezing the funds, financial assets or economic

resources or related services, owned/held by such applicant, under intimation to all RE/Registrar of Immovable Properties/ROC/Regulators and the State Nodal Officer.

- ✓ Procedure for communication of compliance of action taken under Section 12A: The CNO and the Nodal Officer in the Foreigners Division, MHA shall furnish the details of funds, financial assets or economic resources or related services of designated individuals/entities, frozen by an order, and details of the individuals whose entry into India or transit through India was prevented, respectively, to the Ministry of External Affairs, for onward communication to the United Nations.
- ✓ Communication of the Order issued under Section 12A: The Order issued under Section 12A of the Act by the CNO relating to funds, financial assets or economic resources or related services, shall be communicated to all nodal officers in the country.

2.12. List of Designated Individuals/ Entities

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>.

SEBI has released the following press release for the updated list:

- ✓ PR No.04/2020 dated January 22, 2020
- ✓ PR No.08/2020 dated February 18, 2020
- ✓ PR No.09/2020 dated February 20, 2020
- ✓ PR No.11/2020 dated February 25, 2020
- ✓ PR No.12/2020 dated February 26, 2020
- ✓ PR No.15/2020 dated March 11, 2020
- ✓ PR No.33/2020 dated June 20, 2020
- ✓ PR No.40/2020 dated July 22, 2020
- ✓ PR No.43/2020 dated August 25, 2020
- ✓ PR No.49/2020 dated September 21, 2020
- ✓ PR No.54/2020 dated October 14, 2020

UNSC has released the following press release and sanctions list:

- ✓ Note SC/14321 dated 8 October 2020 adding one entry to list of individuals in UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List viz.
- ✓ List of Individuals/Entities designated/added/amended by United Nations Security Council Under UNSCR 1267-reg dated January 22, 2021
- ✓ Notification on updated lists of UNSCR 1718 Sanctions Committee dated December 24, 2020
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Amendment of 92 Entries dated February 24, 2021.

- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List dated February 25, 2021.
- ✓ Amendment of 8 Entries by UNSC ISIL (Da'esh) and Al-Qaida Sanctions Committee dated March 24, 2021
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Amendment of 1 Entry dated April 07, 2021.
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Amendment of 1 Entry dated June 21, 2021.
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Amendment of 1 Entry dated June 21, 2021.
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Removal of 1 Entry dated September 08, 2021.
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Addition of 1 Entry dated November 26, 2021.
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Addition of 1 Entry dated December 22, 2021.
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Amendment of 62 entries on its Sanction List dated December 31, 2021.
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Addition of 2 Entries dated December 31, 2021.
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Deletion of 5 entries dated January 06, 2022.
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Removal of 3 entries dated January 18, 2022.
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List -Deletion of 1 entry dated January 25, 2022.
- ✓ Implementation of Section 51A of UAPA, 1967: updates to UNSC 1267/1989 ISIL (Da'esh) & Al-Qaida Sanctions List: Removal of 2 entries dated March 04, 2022.
- ✓ Implementation of Section 51A of UAPA,1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List: Addition of 1 entry dated March 08, 2022
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List: amendment in 2 entries dated April 04, 2022
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List dated May 31, 2022
- ✓ Implementation of Security Council Resolution on Democratic People 's Republic of Korea (Amendment) Order, 2021: Updates to UNSC's 1718 Sanctions List of Designated Individuals and Entities – Amendment in 1 Entry dated July 13, 2022

- ✓ Implementation of Security Council Resolution on Democratic People 's Republic of Korea (Amendment) Order, 2021: Updates to UNSC's 1718 Sanctions List of Designated Individuals and Entities - Amendment in 44 Entries dated August 1, 2022
- ✓ Implementation of Security Council Resolution on Democratic People 's Republic of Korea (Amendment) Order, 2021: Updates to UNSC's 1718 Sanctions List of Designated Individuals and Entities - Amendment in 2 Entries dated September 15, 2022
- ✓ Implementation of Security Council Resolution on Democratic People 's Republic of Korea (Amendment) Order, 2021: Updates to UNSC's 1718 Sanctions List of Designated Individuals and Entities dated July 05, 2023
- ✓ Implementation of Section 12A of Weapons of Mass Destruction & their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 - Updates to UNSCs 1718 Sanctions List - Amendment in 9 entries dated August 22, 2023
- ✓ Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List: Amendments in 05 Entries dated November 21, 2023

We shall ensure that accounts are not opened in the name of anyone whose name appears in said list. We shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU-IND.

2.13. Jurisdictions that do not or insufficiently apply the FATF Recommendations

- ✓ FATF Secretariat after conclusion of each of its plenary, releases public statements and places jurisdictions under increased monitoring to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing risks. In this regard, FATF Statements circulated by SEBI from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered by the registered intermediaries.
- ✓ We will consider the risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statements. Further we are not precluded from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statements.

2.14. Reporting to Financial Intelligence Unit-India

- ✓ In terms of the PML Rules, we are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,

Financial Intelligence Unit-India,

6th Floor, Tower-2, Jeevan Bharati Building,

Connaught Place, New Delhi-110001, INDIA.

Telephone: 91-11-23314429, 23314459

91-11-23319793(Helpdesk) Email: helpdesk@fiuindia.gov.in

(For Fine and general queries) - ctrcell@fiuindia.gov.in

(For Reporting Entity / Principal Officer registration related queries)

complaints@fiuindia.gov.in

Website: <http://fiuindia.gov.in>

- ✓ We shall carefully go through all the reporting requirements and formats that are available on the website of FIU - IND under the Section Obligation of Reporting Entity Furnishing Information Reporting Format (https://fiuindia.gov.in/files/downloads/Filing_Information.html). These documents contain detailed directives on the compilation and manner/procedure of submission of the reports to FIU-IND. The related hardware and technical requirement for preparing reports, the related data files and data structures thereof are also detailed in these documents. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, we shall adhere to the following:
- The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
 - The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.
 - The Non-Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
 - The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
 - Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.
 - No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non - profit organization transactions to be reported.
 - Non-profit organization" means any entity or organisation, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), that is registered as a trust or a society under the Societies Registration Act, 1860 (21 of 1860) or any similar State legislation or a Company registered under the section 8 of the Companies Act, 2013 (18 of 2013).
- ✓ We shall not put any restrictions on operations in the accounts where an STR has been made. Company and its directors, officers and employees (permanent and temporary) shall be prohibited from disclosing ("tipping off") the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/ or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level. It is clarified we, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if we have reasonable grounds to believe that the transactions involve proceeds of crime. It is further clarified that "proceeds of crime" include property not only derived or obtained from the scheduled offence but also any property which may directly or indirectly be derived or obtained as a result of any criminal activity relating to the scheduled offence. **Confidentiality requirement does not inhibit information sharing among entities in the group.**

2.15. Designation of officers for ensuring compliance with provisions of PMLA

- ✓ **Appointment of a Principal Officer:** To ensure that we properly discharge its legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors.

Mr. Sanjay Agrawal was appointed as Principal Officer and the same was intimated to the FIU-IND.

- ✓ Names, designation and addresses (including email addresses) in case of change in 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. **In terms of Rule 2 (f) of the PML Rules, the definition of a Principal Officer reads as under: Principal Officer means an officer designated by a registered intermediary; Provided that such officer shall be an officer at the management level.** **Appointment of a Designated**

Director: In addition to the existing requirement of designation of a Principal Officer, we shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under:

- ✓ "Designated director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes
 - the Managing Director or a Whole-Time Director duly authorized by the Board of Directors if the reporting entity is a company,
 - the managing partner if the reporting entity is a partnership firm,
 - the proprietor if the reporting entity is a proprietorship firm,
 - the managing trustee if the reporting entity is a trust,
 - a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and
 - such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above."

Mrs. Neelam Agarwal was appointed as Designated Director of company and the same has been intimated to the FIU-IND.

- ✓ In terms of Section 13 (2) of the PMLA, the Director, FIU - IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of company to comply with any of its AML/CFT obligations.
- ✓ We shall communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU - IND.

FIU-IND vide its communication dated May 23, 2022, has informed about the fresh registration of the Reporting Entities (REs) in FIN net 2.0 system from 19.01.2022.

As part of the envisaged, FIN net 2.0 system we are registered in FIN net 1.0 is required to re-register in FIN net 2.0 module. Further, it may be noted that as part of the re-registration exercise we have register Principal Officer as well as Designated Director also in FIN net 2.0 module

2.16. Employees' Hiring/Employee's Training/ Investor Education

✓ Hiring of Employees

We shall have adequate screening procedures in place to ensure high standards when hiring employees. They shall identify the key positions within its own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

✓ Employees' Training

We will have an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements shall have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

✓ Investors Education

Implementation of AML/CFT measures requires us to demand certain information from investors which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need for us to sensitize its clients about these requirements as the ones emanating from AML and CFT framework. We shall prepare specific literature/pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme.

2.17. Review of Policy

This Policy will be reviewed on periodic basis by the Compliance Officer and Principal officer and if there are any changes made to the policy, the same shall be placed before the Board at its first meeting held after such changes are introduced and the same is made available on our website. For its effectiveness since the person reviewing the policy should be different from the person framing the policy.

2.18. Re-KYC of Clients

- ✓ We need to periodically update customer identification documents in their records of account holders to adhere to the KYC norms issued by the extant Market Regulator(s), Stock Exchange(s), Depositories and other Agencies. Re-KYC is the process of a business for re-identifying and verifying the identity of its existing clients.
- ✓ The objective of the Re-KYC is to identity theft, Prevention of Terrorist Financing, Money Laundering and Financial Fraud. KYC allows to understand the Customer better and manage risks prudently. Re-KYC is mandatory and there is no escaping the paperwork while investing in financial products.

- ✓ Personal information needs to be provided and has to be signed by the account holder of company. The KYC Team is mandated to periodically update its Client's identification data including the Client's photograph, a proof of identity, an NRI status proof and a proof of address. The KYC updation of the Clients shall be done once in every 2 years even if there is no change in the identity or address of the Client.

2.19. Other Principles

We shall ensure the following:

- ✓ We shall ensure that the content of these Directives is understood by all staff members
- ✓ We will regularly review the policies and procedures on the prevention of ML and TF on an annual basis to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures
- ✓ We will adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF
- ✓ We will undertake client due diligence ("CDD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction
- ✓ We have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- ✓ We will develop staff members' awareness and vigilance to guard against ML and TF.
- ✓ Role of Internal Audit and Compliance Function to ensure compliance with the Policies
- ✓ The Internal Audit function and compliance function should work in coordination to identify the non-compliance with the Provisions of PMLA and ensure compliance

[Annexure 1]

SEBI Directives on Online KYC Process

SEBI vide Circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/73 dated April 24, 2020 informed regarding Clarification on Know Your Client (KYC) Process and Use of Technology for KYC.

SEBI held discussions with various market participants and based on their feedback and with a view to allow ease of doing business in the securities market, it has been decided to make use of following technological innovations which can facilitate online KYC. In order to enable the Online KYC, Client's KYC can be completed through online / App based KYC, in-person verification through video, online submission of Officially Valid Document (OVD) / other documents under e-Sign, in the following manner:

- ✓ The client visits the website/App/digital platform of company and fills up the online KYC form and submits requisite documents online.
- ✓ The name, photograph, address, mobile number, email ID, Bank details of the client shall be captured online and OVD / PAN / signed cancelled cheque shall be provided as a photo / scan of the original under e-Sign and the same shall be verified as under:
 - Mobile and email is verified through One Time Password (OTP) or other verifiable mechanism. The mobile number/s of client accepted as part of KYC should preferably be the one seeded with Aadhaar. (we shall ensure to meet the requirements of the mobile number and email as detailed under SEBI circular no. CIR/MIRSD/15/2011 dated August 02,2011)
 - Aadhaar is verified through UIDAI's authentication / verification mechanism. Further, in terms of PML Rule 9 (16), we shall, where the client submits his Aadhaar number, ensure that such client to redact or blackout his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required under sub-rule (15). We shall not store/ save the Aadhaar number of clients in their system. e-KYC through Aadhaar Authentication service of UIDAI or offline verification through Aadhaar QR Code/ XML file can be undertaken, provided the XML file or Aadhaar Secure QR Code generation date is not older than 3 days from the date of carrying out KYC. In terms of SEBI circular No. CIR/MIRSD/29/2016 dated January 22, 2016 the usage of Aadhaar is optional and purely on a voluntary basis by the client.
 - PAN is verified online using the Income Tax Database.
 - Bank account details are verified by Penny Drop mechanism or any other mechanism using API of the Bank. (Explanation: based on bank details in the copy of the cancelled cheque provided by the client, the money is deposited into the bank account of the client to fetch the bank account details and name.) The name and bank details as obtained shall be verified with the information provided by client.
 - Any OVD other than Aadhaar shall be submitted through Digi Locker / under eSign mechanism.
- ✓ In terms of Rule 2 (d) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PML Rules) "Officially Valid Documents" means the following:
 - the passport,

- the driving licence,
 - proof of possession of Aadhaar number,
 - the Voter's Identity Card issued by Election Commission of India,
 - job card issued by NREGA duly signed by an officer of the State Government and
 - the letter issued by the National Population Register containing details of name, address, or any other document as notified by the Central Government in consultation with the Regulator.
- ✓ Further, Rule 9(18) of PML Rules states that in case OVD furnished by the client does not contain updated address, the document as prescribed therein in the above stated Rule shall be deemed to be the OVD for the limited purpose of proof of address.
- ✓ PML Rules allows a client to submit other OVD instead of PAN, however, in terms of SEBI circular No. MRD/DoP/Cir-05/2007 dated April 27, 2007 the requirement of mandatory submission of PAN by the client for transaction in the securities market shall continue to apply.
- ✓ Once all the information as required as per the online KYC form is filled up by the client, KYC process could be completed as under
- The client would take a print out of the completed KYC form and after affixing their wet signature, send the scanned copy / photograph of the same to us under eSign, or
 - Affix online the cropped signature on the filled KYC form and submit the same to the company under eSign.
- ✓ We shall forward the KYC completion intimation letter through registered post/ speed post or courier, to the address of the client in cases where the client has given address other than as given in the OVD. In such cases of return of the intimation letter for wrong / incorrect address, addressee not available etc, no transactions shall be allowed in such account and intimation shall also sent to the Stock Exchange and Depository.
- ✓ The original seen and verified requirement under SEBI circular no. MIRSD/SE/Cir-21/2011 dated October, 5 2011 for OVD would be met where the client provides the OVD in the following manner:
- As a clear photograph or scanned copy of the original OVD, through the eSign mechanism, or;
 - As digitally signed document of the OVD, issued to the Digi Locker by the issuing authority.
- ✓ SEBI vide circular no. MIRSD/Cir- 26 /2011 dated December 23, 2011 had harmonized the IPV requirements for the intermediaries. In order to ease the IPV process for KYC, the said SEBI circular pertaining to IPV stands modified as under:
- IPV/ VIPV would not be required when the KYC of the client is completed using the Aadhaar authentication / verification of UIDAI.
 - IPV / VIPV shall not be required by us when the KYC form has been submitted online, documents have been provided through Digi Locker or any other source which could be verified online.

Features for online KYC App -

We may implement their own Application (App) for undertaking online KYC of client. The App shall facilitate taking photograph, scanning, acceptance of OVD through Digi locker, video capturing in live environment, usage of the App only by authorized person of the company. The App shall also have features of random action initiation for client response to

establish that the interactions not pre-recorded, time stamping, geo-location tagging to ensure physical location in India etc. is also implemented. We shall ensure that the process is a seamless, real-time, and secured, end-to-end encrypted audio-visual interaction with the client and the quality of the communication is adequate to allow identification of the client beyond doubt. We shall carry out the liveness check in order to guard against spoofing and such other fraudulent manipulations. We shall before be rolling out and periodically, carry out software and security audit and validation of their App. We may have additional safety and security features other than as prescribed above.

Feature for Video in Person Verification (VIPV) for Individuals -

To enable ease of completing IPV of a client, we may undertake the VIPV of an individual client through their App. The following process shall be adopted in this regard:

- ✓ We through their authorized official, specifically trained for this purpose, may undertake live VIPV of an individual client, after obtaining his/her informed consent. The activity log along with the credentials of the person performing the VIPV shall be stored for easy retrieval.
- ✓ The VIPV shall be in a live environment.
- ✓ The VIPV shall be clear and still, the client in the video shall be easily recognizable and shall not be covering their face in any manner.
- ✓ The VIPV process shall include random question and response from the client including displaying the OVD, KYC form and signature or could also be confirmed by an OTP.
- ✓ We shall ensure that photograph of the client downloaded through the Aadhaar authentication / verification process matches with the client in the VIPV.
- ✓ The VIPV shall be digitally saved in a safe, secure and tamper-proof, easily retrievable manner and shall bear date and time stamping.
- ✓ We may have additional safety and security features other than as prescribed above.

Change in the Policy will be adopted as and when required by the company and is binding on all the Staff/Employees/and Directors of the Company.

For M/s. ORTEM SECURITIES LIMITED,

ORTEM SECURITIES LIMITED

Sanjay Agrawal

Wholetime Director / Director

**Sanjay Agrawal
Director**

Ortem Securities Limited

SURVEILLANCE POLICY

Policy created by	Compliance Team
Policy reviewed by	Principal Officer
Policy reviewed on	30.12.2023
Policy Approved by	Board of Directors
Policy approved on	27.02.2024

Version - 1.3

1. Background:

Surveillance is the process of collecting and analyzing information concerning markets in order to detect unfair transactions that may violate securities related laws, rules and regulations. Trading Members & Depository Participants have the responsibility of monitoring the trading activity of their clients. Trading Members have been advised by the Stock Exchanges, Depository & extant Regulators to set-up monitoring of the Trading Activity and Movement of securities of their clients including intra-day activity and proactively report to the Exchanges/ Depository/ Extant Regulators observations/ findings, if any. In order to achieve this and to create safer markets, an adequate surveillance policies and system to be put in place in order to monitor suspicious/manipulative transactions and curb such activities, if any.

2. Objective:

In order to facilitate an effective surveillance mechanism to monitor the transactions in Cash, Equity - Derivative, Currency Derivative Market Segments and Commodity Derivative Market Segment of the Stock Exchange(s), where the Company is registered as a Trading Member, this Surveillance Policy is being formulated, in compliance and/or as mandated by Securities and Exchange Board of India, The Stock Exchanges & The Depositories.

3. Responsibility:

- ✓ The Compliance Officer shall be responsible for the implementation and supervision of this Policy.
- ✓ The Risk Management Officer, Settlement Officer & PMLA Officer shall assist and report to the Compliance Officer on a daily basis in respect of the alerts generated for the surveillance mechanism.
- ✓ The Compliance Officer shall take all necessary steps to analyze, monitor, document and report the findings to the Board Members as well as the relevant Stock Exchanges and/or regulatory bodies, in a time bound manner, as detailed hereunder and/or as mandated by the Stock Exchanges and/or regulatory bodies.
- ✓ The Compliance Officer shall exercise their independent judgment and take adequate precautions to ensure implementation of an effective surveillance mechanism, based on the day-to-day activities of the clients, general market information and the facts and circumstances.
- ✓ The Internal Auditor of the Company, shall review the Policy, its implementation, documentation, effectiveness and review the alerts generated during the period of audit and shall record the observations with respect to the same in their Internal Audit Reports.
- ✓ The Board of Directors shall peruse, review and provide necessary guidance with regard to the "Surveillance Policy", periodically, for strengthening the processes.

4. Policy Procedures for Disposition of Alerts:

- ✓ **Downloading of Transaction Alerts:** The Transaction Alerts provided by the Stock Exchanges and internally generated by the Back-Office Software shall be downloaded by "The Risk Management Team" on a regular basis and the same shall be forwarded to the Designated Directors, Compliance Officer and the KYC Officer.
- ✓ **Client(s) Information:** The "KYC- Officer" shall carry out the necessary Due Diligence of the client(s), whose name appears on the Transaction Alerts. The said officer shall ensure that the KYC parameters are updated on a periodic basis as prescribed by Securities & Exchange Board of India (SEBI) and latest information of the client

is updated in UCC database of the respective Exchanges. Based on the Client Information, the said officer shall establish Groups/Association amongst clients to identify multiple accounts/ common account/group of clients.

- ✓ **Documentation:** The Risk Management Team in order to analyze the trading activity of the Client(s)/Group of Client(s) or scrips identified based on the Transaction Alerts, shall do the following:
 - Seek explanation from such identified Client(s)/Group of Client(s) for entering into such transactions.
 - Seek documentary evidence such as Bank Statement/Demat Transaction Statement or any other documents to satisfy itself.
 - In case of Funds, Bank Statements of the Client(s)/Group of Client(s) from which Funds pay-in have been met, to be sought.
 - In case of Securities, Demat Account Statements of the Client(s)/Group of Client(s) from which Securities pay-in have been met, to be sought.
 - The period of such statements mentioned in point (c) & (d) may be at least
 - +/- 15 days from the date of transactions to verify whether the funds/ securities for the settlement of such trades actually belongs to the client to whom the trades were transacted.
- ✓ **Analysis:** Upon receipt of the above-mentioned documents, the Compliance Officer and the Risk Management Team shall analyze the documents sought from the Client as well as the KYC & KRA of the Client and shall record the observations for such identified transactions or Client(s)/Group of Client(s). In case adverse observations are recorded, the Compliance Officer shall report all such instances to the Exchange within 45 days of the alert generation.

5. Steps to be taken for analysis of each alert by Compliance Team:

- ✓ **Alert Generation System:** The Risk Management Team generates alert reports at the end of each day from the Back-Office Software which is analyzed to identify suspicious transactions. Alerts from Stock Exchanges and Depositories are also collated.
 - **Quality of Dealing:**
 - Identify scrips in BE, T and TS having 50 % of Exchange volume.
 - Segregate the scrip volume based on the security category (e.g., EQ and BE in case of NSE and A, B, T, etc., in case of BSE).
 - Identify the clients and check the bonafide of transactions.
 - **High Value Deals:**
 - Review the deals above Rs. 25 Lacs in single scrip.
 - In case of buy deals, check whether sufficient margin is available.
 - In case of sale deal, check whether the shares are available.
 - Identify scrips where deals are persistently contributing higher volumes.
 - Identify clients, who have taken high value positions, review their ledger accounts in order to verify whether there is sudden increase in.
 - **Significant increase in client activity:** Client(s)/Group of Client(s) who have been dealing in small quantities/value suddenly significantly increase their activity. In such cases the following shall be examined:
 - Transaction Turnover more than Rs. 10.00 Lacs.

- Delivery Turnover more than Rs. 1.00 Lacs.
- Deal size more than 2 times of the average deal size.
- Whether such volume is justified given the background of the client and his past trading activity.
- Cumulative amount of funds that was brought in by the Client(s)/Group of Client(s) for the purchases made during the period.
- Whether such inflow of funds is in line with the financial status of the client.
- Whether the transactions of such Client(s)/Group of Client(s) are contributing to concentration or impacting the price.
- **Sudden trading activity in dormant accounts: This refers to such cases where the client has not traded more than 3 months and suddenly starts/resumes trading in stocks or low market capitalized scrips or enters into transaction which is not in line with his financial strength. In such cases following shall be reviewed and examined:**
 - Trade Gap Analysis for more than 90 days.
 - Reasons for trading in such scrips/contracts.
 - Whether the client is only placing the order or is it some third party.
 - Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices of such scrips/contracts through use of such dormant accounts.
- **Whether there is any concerted attempt by a Client(s)/Group of Client(s) to indulge in movement of profit/loss from one client to another through use of such dormant account**
- **Clients/Group of Client(s), dealing in common scrips: Such dealing is contributing significantly to the volume of the scrip at broker level and at the Stock Exchange level. The following shall be reviewed and examined:**
 - Reasons for trading in such scrips.
 - Whether there is any concerted attempt by a client(s)/Group of Client(s) to impact the prices of such scrips.
 - Whether there is any concerted attempt by a client (s)/Group of Client(s) to indulge in movement of profit/loss from one client to another.
 - In case a client/ group of clients contributed more than 40% volume at Exchange level, repeatedly in the same scrip in last fifteen-day, client(s) is / are accumulating the scrip.
 - Check if client(s) is/ are transferring the same to third party Demat accounts through off-market transactions.
- **Client(s)/Group of Client(s) concentrated in a few illiquid scrips: The following shall be reviewed and examined:**
 - Typically, the Risk Management Team shall block trading in scrips which are listed as Illiquid Scrips by the Stock Exchanges through its circulars.
 - Any trading in such scrips are done on specific request by client, and the same is allowed by the Compliance Officer only upon scrutiny of the beneficial ownership of the selling, pre-pay-in of funds by the buying client and trades are executed at the last traded price.
 - Activity concentrated in illiquid scrips.
 - Sudden activity in illiquid securities.

- Reasons for trading in such scrips.
- Whether there is any concerted attempt by a Client(s)/Group of Client(s) to impact the prices of such scrips.
- Whether there is any concerted attempt by a Client(s)/Group of Client(s) to indulge in movement of profit/loss from one client to another.
- Percentage of Client(s)/Group of Client(s) activity to total market in the scrip/contract is high.
- Identify clients who have traded in these scrips more than 25% of Exchange volume.
- **Client(s)/Group of Client(s) dealing in scrip in minimum lot size/Concentration in scrip: The following shall be reviewed and examined:**
 - Reasons for such trading behavior.
 - Whether the transactions of such Client(s)/Group of Client(s) are contributing to concentration or impacting the price.
 - Whether such transactions indicate towards probability of illegal trading at the clients' end.
- **Synchronized Trades/Cross Trades/Circular Trading:**
 - Scrutinize Synchronized/Cross Trade Report generated by the system as well as the data published by the Stock Exchanges on their official website. Identify clients having cross or synchronized trades.
 - Typically, any request for Block Deal is to be handled by the Risk Management Team directly under the guidance of Compliance Officer at the Head Office Level. Trades are to be executed only upon scrutinizing/ obtaining - proof of beneficial ownership of the selling client, proof of availability of funds by the buying client, pre-pay-in of shares of the selling client, pre-pay-in of funds by the buying client. Upon complying the same, trades are to be executed at the last traded price to avoid any price distortion. The executions of such trades are to be reported to the Designated Director as a routine compliance.
 - Continuous trading of client/group of clients in particular scrip over a period of time.
 - Client/group of clients contributing significant volume (broker and exchange level) in particular scrip – especially illiquid scrip.
 - Possible matching of trades with a specific group of clients (like same trade number on both buy and sell side and/or immediate execution of order in illiquid scrip etc.).
 - Possible reversal of trades with the same group of clients (like same trade number on both buy and sell side and/or immediate execution of order in illiquid scrip)
- **Pump and Dump:**
 - Risk Management Team to disallow trades for being executed at prices significantly away from the market and later on squaring off to earn significant profits.
- **Wash Sales or Reversal of Trades:**
 - Same Client(s)/ Group of Client(s) on both sides of the transaction. (i.e. same trade number on both the buy and sell side).
 - Reversal of transactions by same Client(s) or within same Group of Client(s) at significantly different trade prices within a short period of time says 3-4 days.
 - One client makes significant profit and other suffers a loss or apparent loss booking transactions in illiquid contract/securities including options

- **Front Running:**
 - Trading, by Client(s)/ Group of Client(s)/employees, ahead of large buy/sell transactions and subsequent square off have to be identified and such transactions have to be reviewed for determining front running.
 - There is a consistent pattern of Client(s)/ Group of Client(s)/employees trading ahead of large buy/sell transactions.
- **Concentrated position in the Open Interest/high turnover concentration:**
 - Client(s)/Group of Client(s) having significant position in the total open interest of a particular scrip.
 - Client(s)/Group of Client(s) not reducing/closing their positions in spite of the scrip being in ban period.
 - Client(s)/Group of Client(s) activity accounts for a significant percentage of the total trading in the contract/securities at the Trading member and exchange level.
 - Monitor the trading pattern of Client(s)/Group of Client(s) who have Open Interest positions/concentration greater than equal to the thresholds prescribed.
 - Identify the scrips where there is sudden increase in volume or rate by comparing the Exchange volume.
 - Check whether Broker has contributed substantial volume (more than 25 %) in such scrips. Identify clients who have contributed more than 25 % of the volume at the Exchange. Check for intimation letter uploaded by the Stock Exchange for the purpose of Additional Margin.
 - Identify the clients who are trading frequently in the scrips (more than 3 times in last five days).
- **Order book spoofing i.e. large orders away from market**
 - Consistent placement of large orders significantly away from the market with low trade to order trade ratio or canceling orders within seconds after placing them thereby creating a false impression of depth in a particular scrip/contract
 - Repeated pattern of placement of large buy orders which are away from the market price and simultaneous placement of sell orders to benefit from price rise or vice-versa.
- **Impact of Trading Pattern on Price and Volume of the Scrip**
 - Identify the days on which the client has taken concentrated positions in the scrip and Compare price and volume on the Exchange on said dates to ascertain whether:
 - Increase in price or volume beyond 20%.
 - Client has taken positions at day's high or low rates.
- **Review of Client Receipts / Payments**
 - Review of Receipts/Payment details of the Client having unusual pattern of funds movement. Analyze the Receipts & Payments of the client on daily basis and on Q-to-Q basis. Daily Bank Reconciliation on a Maker-Checker basis to be conducted to scrutinize Dishonor of Cheques.
- **Relation of Client with the Management/ Promoters of the Company**
 - Check whether the client is related to management or promoters of the company in whose scrip client is trading.
 - Also check whether the client is holding more than 1% of the shares of the company.
- **Review of KYC & Turnover Vis-à-vis Financial Income Submitted by Client**
 - Review the KYC and supporting documents submitted by the client.

- Validate volume done by the client with his financial net worth and margin provided.
- Identify the clients whose turnover is disproportionate with the Annual Income provided in KYC.
- Review the Risk categorization of the client and categorize the client based on the validation done.
- Scrutinize the Transactions of the clients and follow up with the concerned branches for collection of the latest financials. Seek details from Branch on the occupation, social and financial status of client. If Branch feedback on client is not satisfactory, refer the case to the Principal Officer.

• **Graded Surveillance Measures (GSM):**

In continuation with the various measures implemented above to enhance market integrity and safeguard interest of investors, the Compliance Officer and Risk Management Team shall also implement the Graded Surveillance Measures (GSM) on securities that witness an abnormal price rise that is not commensurate with financial health and fundamentals of the company.

At present, there are 6 stages defined under GSM framework viz. from Stage I to Stage VI. Surveillance action has been defined for each stage. Once the security goes into a particular stage, it shall attract the corresponding surveillance action. Stage wise Surveillance actions are listed below -

<u>Stage</u>	<u>Surveillance Actions</u>
I	Transfer to Trade for Trade with price band of 5% or lower as applicable.
II	Trade for Trade with price band of 5% or lower as applicable and Additional Surveillance Deposit (ASD) of 100% of trade value to be collected from Buyer.
III	Trading permitted once a week (Every Monday) and ASD of 100% of trade value to be collected from Buyer.
IV	Trading permitted once a week (Every Monday) with ASD of 200% of trade value to be collected from Buyer.
V	Trading permitted once a month (First Monday of the month) with ASD of 200% of trade value to be collected from Buyer.
VI	Trading permitted once a month (First Monday of the month) with no upward movement in price of the security with ASD of 200% of trade value to be collected from Buyer.

The Risk Management Team has to be extra cautious and diligent while dealing in such securities as they have been placed under higher level of surveillance. A file containing stage wise GSM details is available on the website of NSE and BSE at the following link:

- ✓ https://www.nseindia.com/invest/content/equities_surv_actions.htm
- ✓ https://www.bseindia.com/markets/equity/EQReports/graded_surveil_measure.aspx

GSM framework shall work in addition to existing actions undertaken by the Exchange on the company's securities.

• **Additional Surveillance Measure (ASM)**

The Compliance Officer and Risk Management Team shall also implement Additional Surveillance Measure along with the aforesaid measures on securities with surveillance concerns based on objective parameters viz. Price variation, Volatility etc.

The shortlisting of securities for placing in ASM is based on objective criteria covering the following parameters:

- High Low Variation
- Client Concentration
- No. of Price Band Hits
- Close to Close Price Variation
- PE ratio

The surveillance actions applicable for the shortlisted securities are as under:

- Securities shall be placed in Price Band of 5% or as directed by the Stock Exchange(s) from time to time
- Margins shall be levied at the rate of 100%.

ASM framework shall be in conjunction with all other prevailing surveillance measures being imposed by the Exchanges from time to time.

6. Unsolicited Messages (SMS Stocks):

- ✓ Clients are advised to remain cautious on the unsolicited emails and SMS advising investor to buy, sell or hold securities and trade only on the basis of informed decision.
- ✓ Investors are also requested to share their knowledge or evidence of systemic wrongdoing, potential frauds or unethical behavior through the anonymous portal facility provided on Exchange website and mail at the following addresses:
 - invg@nse.co.in
 - investigation@bseindia.com
- ✓ Clients to exercise caution towards unsolicited emails and SMS and also request their clients to buy, sell or hold securities and trade only on the basis of informed decision. Clients are further requested not to blindly follow these unfounded rumors, tips etc. and invest after conducting appropriate analysis of respective companies.
- ✓ In view of above & as a part of surveillance measure to protect investor's interest and maintain market integrity, Exchange has advised members to exercise greater caution with respect to tips / rumors circulated via various mediums such as analyst websites, social networks, SMS, What's App, Blogs etc. while dealing in the securities listed on the Exchange on behalf of their clients.
- ✓ The Securities identified by Exchange(s) in which unsolicited SMS are circulated shall be kept suspended and barred from further buying & selling by us and shall be monitored on regular basis.
- ✓ The Clients shall remain cautious on the unsolicited emails and SMS advising to buy, sell or hold securities and trade only on the basis of informed decision.
- ✓ Broker may in exceptional circumstances, where the Client has dealt in "SMS Stocks, shall withhold the pay-out of funds and/or securities of the Client and/or suspend the Demat Accounts for Debits, without assigning any reasons, to adjust the Traded Value of Trades in such SMS Stocks with retrospective effect and transfer the same to the Designated Bank Account earmarked for this purpose as mandated by Stock Exchange(s)/SEBI from time-to-time and retain the same till directed by the Stock Exchange(s)/SEBI for such release.

7. Surveillance in respect of Depository Participant

- ✓ Generation of suitable surveillance alerts which may be guided by indicative themes given in point no. 2 below

(the list is inclusive and not exhaustive).

- ✓ Review and disposal of transactional alerts provided by NSDL/CDSL (Transactional alerts provided by NSDL/CDSL are based on certain thresholds).
- ✓ Disposal of alerts within 30 days from the date of alerts generated at Participants end and alerts provided by NSDL/CDSL.
- ✓ Reporting to NSDL/CDSL and other authorities as applicable in case of any abnormal activity.
- ✓ Documentation of reasons for delay, if any, in disposal of alerts.
- ✓ Framework of appropriate actions that can be taken by the Participant as per obligations under Prevention of Money Laundering Act (PMLA).

Indicative themes based on which alert should be generated and maintained and reported as per the requirement:

- ✓ Alert for multiple demat accounts opened with same demographic details: Alert for accounts opened with same PAN / mobile number / email id/ bank account no. / address considering the existing demat accounts held with the Participant.
- ✓ Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.
- ✓ Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
- ✓ Frequent Off-Market transfers by a client in a specified period
- ✓ Off-market transfers not commensurate with the income/Networth of the client.
- ✓ Pledge transactions not commensurate with the income/Networth of the client.
- ✓ Off-market transfers (High Value) immediately after modification of details in demat account.
- ✓ Review of reasons of off-market transfers provided by client for off-market transfers vis à-vis profile of the client e.g. transfers with reason code Gifts with consideration, frequent transfers with reason code Gifts/Donation to unrelated parties, frequent transfers with reason code off-market sales.
- ✓ Alert for newly opened accounts wherein sudden Increase in transactions activities in short span of time and suddenly holding in demat account becomes zero or account becomes dormant after some time.
- ✓ Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients

8. Time Frame for Disposition of Alerts:

The above procedure should be completed within 15 calendar days from the last trading day of the month. In case the matter prolongs beyond 15 days the same should be reported to the Board of Directors, by the Compliance Officer, citing reasons for such delay. The Compliance Officer may seek extension of the time period from the Exchange, whenever required, under intimation to the Board of Directors.

9. Management Information System (MIS):

- ✓ A Monthly MIS Report shall be put up by the Compliance Officer to the Board of Directors on the number of alerts pending at the beginning of the month, generated during the month, disposed off during the month and pending at the end of the month.
- ✓ Internal Auditor shall verify and submit separate report with regard to "Surveillance Policy" on a monthly

basis and the actions taken in respect of the Compliances made and pending actions, if any.

10. Record Maintenance & Reporting:

- ✓ The Compliance Officer shall be responsible for all surveillance activities carried out by the Company and for the record maintenance of such activities.
- ✓ The Compliance Officer shall be assisted by the Risk Management Team and the KYC & KRA Officer for the surveillance activities and shall have the discretion to take assistance/help from any professionals and/or software for the better implementation of the surveillance activities, without diluting the accountability and responsibility of the Compliance Officer.
- ✓ Each alert received from the exchange shall be backed by necessary supporting documentary evidence collected from clients, any other additional details as may be deemed fit may be captured and placed before the Board of Directors for review.
- ✓ Trading Member shall report duly approved status of the alerts on a quarter basis to the Exchange/Depository within 15 days from the end of the quarter in the prescribed format.

Change in the Policy will be adopted as and when required by the company and is binding on all the Staff/Employees/and Directors of the Company.

For M/s. ORTEM SECURITIES LIMITED,

ORTEM SECURITIES LIMITED,

Sanjay Agrawal

Wholetime Director / Director

Sanjay Agrawal
Director

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- ✓ With Respect to Depository's Circular dated July 15th, 2021 regarding "Surveillance Obligations for Depository Participants", We as Depository Participant with discussion with management has defined an internal criterion to identify the nature of alerts and process the necessary verification on the same. The alerts will be identified on the basis of below mentioned criteria as follows -

<u>S No</u>	<u>Parameters of Alerts to be generated</u>	<u>Alerts to be reported</u>	<u>Base for reporting of Alerts</u>
1	Alert for multiple demat accounts opened with same demographic details	Demographic details is in more than 5 demat accounts	Demographic Detail Wise
2	Alert for communication sent on Email id/address of clients are getting bounced.	All instances	Client ID wise
3	Frequent changes in details of demat account	Changes is executed more than 5 times	Client ID wise
4	Frequent Off-Market transfers by a client in a specified period	Off Market Transfers executed more than 5 times	Client ID wise
5	Off-market transfers not commensurate with the income/Net worth	All instances - Limit given up to 10 times	Client ID wise
6	Pledge transactions not commensurate with the income/Net worth	All instances - Limit given up to 10 times	Client ID wise
7	Off-market transfers (High Value) immediately after modification	All instances	Client ID wise
8	Review of reasons of off-market transfers provided by client for off-market transfers visa-vis profile of the client	All instances	Client ID wise
9	Alert for newly opened accounts wherein sudden Increase in transactions activities in short span of time	All instances	Client ID wise

Ortem Securities Limited

POLICY ON DEALING WITH INACTIVE AND DORMANT CLIENTS

Circular: - Ref.

Policy created by	Compliance Team
Policy reviewed by	Compliance Officer
Policy reviewed on	30.12.2023
Policy Approved by	Board of Directors
Policy approved on	27.02.2024

Version - 1.0

Definition

A Trading account in which no transaction has been carried out for a period of more than 365 days (Three Hundred and Sixty-Five days) i.e., 12 calendar months shall be classified as an Inactive/Dormant Account. The Terms "Dormant" and "Inactive" shall be used inter changeably.

Treatment of Inactive/Dormant Accounts

Transactions in Dormant Trading Accounts

- In case of dormant trading accounts in which no transaction has been placed during the last 365 days (Three Hundred and Sixty-Five days) i.e., 12 calendar months, the account of the client shall be suspended and the client shall not be permitted to execute a fresh transaction in the account unless the client provides either of the following:
 - A written request in hard copy to reactivate the account and process the transaction duly signed by Client and submitted to the company along with the latest 6 months' bank statements for financial updation.
 - Concerned Dealers are required to check the identity of the person before taking down orders.
 - The said client before placing orders has to confirm their KYC requirements as provided earlier and in case the KYC requirement stands changed meanwhile, he will be required to first comply with the latest one.
- The Compliance Team shall take the necessary measures as formulated in this policy to reactivate the dormant clients.

Monitoring of Transactions

- Evaluation for dormant account will be done on a daily basis for Trading accounts.
- Sudden activity in dormant accounts in large volume shall be viewed as a suspicious transaction and report will be generated.
- Such reports shall be reviewed by the Authorized Official.
- Transactions found to be suspicious shall immediately be reported to the Risk Management and Compliance Department.

Others

Return on Assets

The Balances lying in the Dormant Trading accounts shall be returned to the client at the time of the calendar quarterly/monthly settlement. In the event the client wishes to receive the funds/securities from such Trading account before the calendar quarterly/monthly settlement, the Client shall make a request in writing which shall be submitted to us. The funds/securities from such Trading account shall be returned within 7 days from receipt of the request.

Review of Policy

The policy may be reviewed as and when there is any change introduced by any statutory authority or as and when it is found necessary to change on account of business needs or Risk Management Policy.

For M/s. ORTEM SECURITIES LIMITED,

ORTEM SECURITIES LIMITED

Sanjay Agrawal

Wholetime Director / Director

Sanjay Agrawal
Director

Ortem Securities Limited

REFERRAL POLICY

Circular: - Ref.

Policy created by	Compliance Team
Policy reviewed by	Compliance Officer
Policy reviewed on	30.12.2023
Policy Approved by	Board of Directors
Policy approved on	27.02.2024

Version - 1.0

All clients of the company shall be eligible to receive an incentive for referring friends/family and prospective clients at the company. Clients would earn 20% of all brokerage generated from referred clients, till such time XYZ Limited continues to carry on this Referral Incentive Scheme if all the following conditions are met:

- All such referred clients must complete their account opening process & have their trading and demat account activated within 60 days of being referred on company's website/application.
- In case a referred client completes his/her account opening within 60 days of being referred, using the same contact number & email ID as the client referring had inputted during referring such client, it would be recognised as a "Completed Referral".
- An act of being referred would include: (a) the referrer inputting the referee's details, i.e. contact number and email ID, on the referral page of company's website or application; & (b) the referee inputting his/her own contact number & email ID on a referral link/page of our company, created by the referrer.
- All Completed Referrals who have opened an account on or after January 1, 20XX will be eligible for brokerage sharing towards clients/referees who have referred clients under this Referral Incentive Scheme.
- Mapping will only be considered to introducer/referrer having a prospect sign up and register initially. If the client is already registered and then later uses an introducer/referrer's affiliate link to complete the account opening process, this new account will not be mapped to the referrer.
- Individual clients cannot refer another non-individual account (eg. HUF, Corporate, Partnership/LLP, Trust) with the same contact details as their own account. All referred non-individual accounts must be referred by inputting the contact details via Console before any such non-individual account application is initiated.
- To begin earning incentives as per this scheme, an existing client would have at least 5 Completed Referrals against his/her Client ID/trading account. Referred clients from one Client ID are not transferable to another Client ID in any way possible.
- To request for withdrawal of any such incentives, the minimum payout amount from all brokerage generated, post having 5 Completed Referrals against his/her Client ID, must be Rs. 1,000 (One Thousand Rupees).
- All payouts made to such clients under this Scheme shall be post Tax Deducted at Source (TDS) which shall be at 5% or as per Applicable Law.
- In case the amount payable is at least Rs. 1000, a withdrawal request would be accepted as per the Rules of this Scheme.
- Any additional payments with respect to GST or any other such taxes, even if any such person is eligible for the same, will not be made over and above the amount eligible to be withdrawn as per the brokerage generated shown on the referral page.
- In case any client under a Client ID is eligible to withdraw an amount (i.e. the amount payable is above Rs. 1000 post deductions, and the client has 5 Completed Referrals), he/she shall withdraw such amount within a period of 365 days from such date of being eligible to withdraw. In case such amount is not withdrawn within 365 days from such date of eligibility, all such eligible amount payable shall lapse for the client.
- No eligible amount shall be paid out to any client, in case the Client ID/trading account of the client has been closed/deactivated for any reason whatsoever.

- All eligible amounts available for withdrawal will be deposited towards the client's linked bank account which is in his/her own name and not in any other person's name.
- The breakup of brokerage generated from each Completed Referral will not be shown to all referees/clients, and only a total of all brokerage generated from all Completed Referrals will be shown to clients/referees referring prospective clients under this Referral Incentive Scheme.
- Only 20% brokerage generated from such Completed Referrals shall be shared, and this shall not include any other charges, such as; taxes, transaction charges, SEBI/Exchange related charges and such other charges.
- All clients requesting for withdrawal of any incentive payouts must abide by, declare and agree to all clauses stated below. In case any misrepresentation or incorrect declaration is provided, such clients shall indemnify the company for any such damages, direct or consequential, with respect to any violations of Circulars, Rules & Regulations, Bye-Laws of all Recognized Stock Exchanges (as defined by SEBI) and any such Applicable Law in India.
- The referring person shall not conduct IPV/OSV. However, referring person who are under an obligation to undertake IPV/OSV under their respective governing regulations, may continue to do so.
- The company ensures that incentive amount shall not be recovered from the client being referred and no obligation whatsoever should be cast on such client. There should be no financial transaction between the referred client and the referring person under the arrangement.
- The company ensures that all correspondences viz. contract notes, daily margin statement, statement of accounts, Annual global transaction statements etc. shall be sent to the respective client only and under no circumstances will go to the referring person.
- All the details/information pertaining to the client shall be maintained confidentially and the same should not be disclosed to any person except as required under any law/regulatory requirements or with the express written permission of the client.
- The referred client shall not be subjected to any kind of trade inducement by the referring person and it shall be ensured that all instructions for placement of orders are obtained from the respective clients only.
- The company ensures that the referring person should not undertake any form of selling/advisory activities w.r.t securities and should not manage the portfolio of any person who is being referred. He/she should strictly limit his/her role to "Referral" only.

The company shall be directly and wholly liable in case of any dispute w.r.t. referral program/incentive scheme or calculation of referral income between the company-referred/ referring person. Such disputes/grievances will not be covered under investor protection or grievance redressal measures of the Exchange.

For M/s. ORTEM SECURITIES LIMITED,

ORTEM SECURITIES LIMITED
Sanjay Agrawal
 Wholtime Director / Director

Sanjay Agrawal
Director

Ortem Securities Limited

POLICY REGARDING THE USE OF FACSIMILE SCANNED SIGNATURES FOR PHYSICAL CONTRACT NOTES

Circular: - Ref.

Policy created by	Compliance Team
Policy reviewed by	Compliance Officer
Policy reviewed on	30.12.2023
Policy Approved by	Board of Directors
Policy approved on	27.02.2024

Version - 1.0

The Company will affix facsimile/ scanned signatures on the physical contract notes issued to its clients. The following controls and procedures are being put in place regarding the use of facsimile/ scanned signature:

- Mr. _____ Designated Director is hereby authorised to affix his facsimile/ scanned signatures in the Contract Notes and other documents issued to its clients.
- The procedure/ controls for the same is as under;
 - The signature shall be scanned and uploaded into the back office systems/software
 - The signature would be affixed only on documents generated by the Back Office Software c. In case of change of authorized signatories, the signatures would be replaced after due Board Approval
- In case Mr. _____ no longer holds the position of Director of the company, then the use of his signature should not be continued afterwards under any circumstances.

The contract note issued with facsimile/scanned signature shall be deemed to have been signed by the authorized signatory notwithstanding any misuse of facsimile/scanned signature and the ultimate responsibility to prove its genuineness shall rest with.

For M/s. ORTEM SECURITIES LIMITED,

ORTEM SECURITIES LIMITED

Sanjay Agrawal
Wholetime Director / Director

Sanjay Agrawal
Director

Ortem Securities Limited

POLICY ON PRE-FUNDED INSTRUMENTS

Circular: - Ref.

Policy created by	Compliance Team
Policy reviewed by	Compliance Officer
Policy reviewed on	30.12.2023
Policy Approved by	Board of Directors
Policy approved on	27.02.2024

Version - 1.0

Background

This is with reference to the SEBI circular No. CIR/MIRSD/03/2011 dated June 09, 2011 regarding pre-funded instruments / electronic fund transfers.

In order to curb the inflow of third party funds/unidentified money, which is not in accordance with the provision of the relevant circular and which also affects the integrity of the securities market, the following mechanism have been put in place:

- If the aggregate value of pre funded instrument is Rs 50000/- or more per day per client, the instruments can be accepted only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose duly certified the issuing bank. The mode of certification may include the following:
 - Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
 - Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
 - Certified copy of the passbook/ bank statement for the account debited to issue the instrument.
 - Authentication of the bank account number debited and name of the account holder by the issuing bank on the reverse of the instrument.
- Further in case of Electronic fund transfer, we ensure that the funds are received from the respective client account provided by the client. In case the client wishes to transfer the funds from the account which is not registered with us then he needs to provide a documentary proof for the same.

For M/s. ORTEM SECURITIES LIMITED,

ORTEM SECURITIES LIMITED

Sanjay Agrawal

Wholetime Director / Director

Sanjay Agrawal
Director

Ortem Securities Limited

POLICY ON INTERNAL CONTROL

Circular: - Ref.

Policy created by	Compliance Team
Policy reviewed by	Compliance Officer
Policy reviewed on	30.12.2023
Policy Approved by	Board of Directors
Policy approved on	27.02.2024

Version - 1.0

Introduction

The company is Securities and Exchange Board of India (SEBI) registered Stock broker of the National Stock Exchange of India Ltd. (NSEIL) & BSE LTD.

Background

To Protect the risk arising from any unforeseen events that may occur, it is required by the exchanges to frame an Internal Control Policy.

Registration of Clients

We follow dual check registration of clients, in Trading Segments. All the client registration kits along with necessary documentary proofs are being checked with original documents at our registered office. All these registration kits are being dual checked at our corporate office before allotment of UCC.

The Exchanges and SEBI are issuing circulars mentioning the name of clients who has been suspended for trading in securities market. We block that name in our back office software. If any clients of same name apply for allotment of client code, our system generates a pop up at the time of making entries in the software. This ensures that no defaulted / suspended clients get registered with us.

Regular training programme is being arranged for training and orientation of front office staffs, which receive and check the client registration kit.

Only after successful upload of UCC file, the client gains the active status in our back office software. All the clients are being mapped for trading only after verification from back office software.

Following Activities are done before Registration of Clients:

- Client Visit: - Client is visited by our representative to prove the existence of the client and address provided by the client.
- Documentary Evidence: - Proper documentary evidence is taken from clients and is verified with original to prove the actuality. Evidences are rechecked by designated person sitting at Head Office.
- KYC Norms: - We always comply with the KYC norms prescribed by SEBI and exchange and comply with all the documentary requirements.
- PAN: - PAN is verified with Income Tax website for its authenticity.

Receiving, Validating & Entering the orders of clients in trading platform

All the clients are mapped to the trading terminals of respective dealers only. One client cannot enter trades from multiple locations except from surveillance department. Most of the orders are received over telephone and entered in the respective client code as instructed by the client. All the trades are being confirmed after-market hours with the respective clients by the dealer who is executing his / her trade.

Collection and Release of Payments

Collection from clients is being done on T+2 basis. However, if the client has liquid position in another segment / exchange, payment flexibility may be allowed. Daily reports of the portfolio valuations are being made to control the risk. Limits of clients are being set on the basis of portfolio of client with us.

Payment to the client is being made on the request of the client. We are maintaining running account of clients for which we have authority from the respective clients. This authority letter forms part of our client registration Kit.

Collection and Delivery of Securities of Clients

Collection of securities is done as per pay in requirements. For delivery of securities to the clients we maintain the same procedure as in case of payments.

Operations and Compliance Requirements

The Compliance officer is looking after operations and Compliance requirements of the Exchange/s. Circulars issued by the exchanges are being taken care of by the compliance officer. All the relevant circulars are communicated to the respective departments / branches automatically on daily basis. The Compliance officer, to ensure compliance at branch level, conducts regular visits to all the branches. Further, test check is done of all the client registration kits and acknowledgement on contract notes.

Payment of Dividend

Dividend is distributed among the clients within 7 days of receipt of the same. Proper record of entitlement and distribution is maintained both in soft and hard form. Test check is done of these records on regular interval.

Continuity Plan / Alternate plan in case of disasters etc.

We have fully operational offices at different locations as backup in case of disaster at any particular office. We periodically take back up of all the data and are safely preserved for recovery in case of disaster. Power failure is the most common factor that interrupts the continuity of trading. To ensure uninterrupted power supply we have following infrastructure:

- Power KVA UPS/ KVA Generator at our registered office.
- To ensure connectivity we have alternate sources of connectivity. In case there is interruption in lease line there is appropriate back up of V Sat for the entire user Ids.

For M/s. ORTEM SECURITIES LIMITED,

ORTEM SECURITIES LIMITED

Sanjay Agrawal
Wholetime Director / Director

Sanjay Agrawal
Director

Ortem Securities Limited

POLICY ON GUIDELINES FOR OUTSOURCING OF ACTIVITIES

Policy created by	Compliance Team
Policy reviewed by	Principal Officer
Policy reviewed on	30.12.2023
Policy Approved by	Board of Directors
Policy approved on	27.02.2024

Version - 1.3

1. GUIDELINES ON OUTSOURCING OF ACTIVITIES

As per the guidelines issued by Securities Exchange Board of India Circular No. NSE/NSP.19603 dated 15/12/2011; all intermediaries must prepare guidelines on outsourcing of activities. In order to address the concerns arising from the outsourcing of activities by intermediaries based on principles advocated by the IOSCO and the experience of Indian markets. SEBI had prepared a concept paper on outsourcing of activities related to services offered by intermediaries. Based on the feedback received on the discussion paper and also discussion held with various intermediaries, stock exchanges and depositories, the principles for outsourcing by intermediaries have been framed (Annexure I). These principles shall be followed by all intermediaries registered with SEBI.

- ✓ The Company shall render high standards of service and exercise due diligence and ensure proper care in the operations.
- ✓ The policy covers activities for the purpose of reducing cost.
- ✓ The Company shall make an assessment of outsourcing risk which depends on several factors, including the scope and materiality of the outsourced activity, etc.
- ✓ There shall not be any prohibition on a group entity / associate of the Company to act as the third party. There shall be distance between the intermediary and the third party in terms of infrastructure, manpower, decision-making, record keeping, etc. for avoidance of potential conflict of interests.
- ✓ Records relating to outsourcing shall be preserved centrally for review by board and the same shall be regularly updated for continuous operations.
- ✓ The company shall be liable to the investors and clients for all the activities rendered by the third party
- ✓ The company shall conduct appropriate due diligence in selecting the third party and assessing their resources and capabilities, compatibility of the practices and system, level of concentration and the environment of the foreign country where the third party is located which is most for our company.
- ✓ The Company shall create outsourcing relationship with the third party the at shall be governed by written contracts/ agreements/ terms and conditions that clearly describes all material aspects of the outsourcing agreement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures etc.
- ✓ The company shall establish and maintain with the third party a contingency plan, including a plan for disaster recovery and periodic testing of backup facilities.
- ✓ The Company shall take appropriate steps to require that third parties protect confidential information of both the intermediary and its customers from intentional or inadvertent disclosure to unauthorized persons.

Change in the Policy will be adopted as and when required by the company and is binding on all the Staff/Employees/and Directors of the Company.

For M/s. ORTEM SECURITIES LIMITED,
ORTEM SECURITIES LIMITED

Sanjay Agrawal

Wholetime Director / Director

Sanjay Agrawal
Director

Ortem Securities Limited

RISK MANAGEMENT POLICY

Policy created by	Compliance Team
Policy reviewed by	Compliance Officer
Policy reviewed on	30.06.2024
Policy Approved by	Board of Directors
Policy approved on	08.07.2024

Version - 1.1

Objective

The company is Securities and Exchange Board of India (SEBI) registered Stock broker of the National Stock Exchange of India Ltd. (NSEIL) & BSE LTD. The company broadly takes into consideration the regulatory requirement, Client Profile, Internal Risk Management Policy, Market Conditions etc., while setting up the exposure limits for and on behalf of its Clients.

The Policy envisage collection of pay in, margin, limits setting for exposures & turnover for clients, terminals, branches & AP level, Monitoring of Debit Balances, Periodicity of such monitoring, periodic reconciliation wherein client has expressly accepted the balance confirmation, Steps taken for recovery of old debts, penal interest charged for long outstanding debts, Mechanism of pay-in and pay-out of funds and securities, Payment, Receipt of funds from/to clients, Policy of square off of positions.

Responsibility

- The Compliance Officer shall be responsible for the implementation and supervision of this Policy.
- The Associate Compliance Officer and Risk Management Officer (RMS Officer) shall assist and report to the Compliance Officer on a daily basis in respect of the Client Codes Modified/Transferred.
- The Compliance Officer shall take all necessary steps to monitor, document, analyse and report the findings to the Board Members as well as the relevant Stock Exchanges and/or regulatory bodies, in a time bound manner, as detailed hereunder and/or as mandated by the Stock Exchanges and/or regulatory bodies.
- The Compliance Officer shall exercise his/her independent judgment and take adequate precautions to ensure implementation of an effective monitoring mechanism, based on the day-to-day activities of the clients, general market information and the facts and circumstances.
- The Internal Auditor of the Company, shall review the implementation, documentation, effectiveness and review the actions taken during the period of audit and shall record the observations with respect to the same in their Internal Audit Reports.
- The Board of Directors shall peruse, review and provide necessary guidance with regard to the “**Risk Management Policy**”, periodically, for strengthening the processes.

Exposure Limit for the client

The exposure limits for a Client shall be set up considering the following parameters:

- The Client shall have to maintain “upfront margin” in the form of Cash, Approved Securities and Bank Guarantee(s) for availing trading exposures in the Capital Market Segment and in the Derivative - Market Segment(s).
- The Client is not entitled to trade without adequate margin/security and that it shall be his/her/its responsibility to ascertain in advance the margin/security requirements for his/her/its orders/trades/deals and to ensure that the required margins/security is made available to THE COMPANY, in such form and manner as may be required by THE COMPANY.
- The Exposure Limit will be a certain multiple of the available margin. Such multiplier will be as decided by THE COMPANY from time to time and may vary from Client to Client.

- THE COMPANY may from time to time impose and vary limits on the orders that the Client can place through trading system of THE COMPANY, including exposure limits, turnover limits, limits as to the number, value and/or kind of securities/contracts in respect of which orders can be placed, etc. THE COMPANY may need to vary or reduce the limits or impose new limits urgently on the basis of the risk perception of THE COMPANY and other factors considered relevant by THE COMPANY, including but not limited to limits on account of Exchange/Regulatory directions/limits (such as Broker Level /Market Level Limits in security/contract specific/volume specific exposures etc.) and THE COMPANY may be unable to inform the Client of such variation, reduction or imposition in advance. THE COMPANY shall not be responsible for such variation, reduction or imposition or the Clients inability to route any order through the Trading System of THE COMPANY on account of any such variation, reduction or imposition of limits.
- On a case-to-case basis THE COMPANY at its sole and absolute discretion, may allow higher exposure limits to the Client. THE COMPANY shall have the prerogative to allow differential purchase and sell limits varying from Client to Client, depending upon credit worthiness, integrity and past conduct of each Client. THE COMPANY shall have the prerogative to determine and prescribe rules for exposure limits and intra-day trading and any other product as well as differential exposure limits for various segments.
- In case of Cash Segment, THE COMPANY may at its sole and absolute discretion allow clean exposure limits upto certain amount to the Client without insisting for any credit balance and/or margin. THE COMPANY shall decide the quantum of clean exposure limit. On case-to-case basis THE COMPANY may at its sole and absolute discretion, give higher clean exposure limits to certain set of the Clients. THE COMPANY reserves the right to withdraw clean exposure limit granted to the Client at any point of time at its sole and absolute discretion. The Client cannot raise any concern/dispute for the same.
- Available margin for the purpose of granting exposure is calculated as a sum of free credit balance of the Client in the books of THE COMPANY, margin in the form of funds, securities of the Clients available with THE COMPANY.
- The choice of the securities to be considered, as THE COMPANY shall determine margin at its sole discretion from time to time and the Client shall abide by the same. The categorization of the stocks and the haircut applicable is reviewed from time to time based on Regulatory Dictates, Market Information and Other Factors as deem fit by THE COMPANY. Any specific event which leads to increase in risks involved related to a particular scrip would also lead to change of category/haircut of such scrip. Also, in extremely volatile market with abnormal price/volume movements, or in case of warnings by Regulators/Exchanges, scrip may be re-categorized without prior notice and the Clients shall regularize their trades accordingly. However, in respect of transactions in the Derivative – Equity Futures Segment, the list of Approved Securities, considered for maintaining margin, shall be similar to that of list decided by the respective Stock Exchanges from time to time and/or as per the list decided by the sole discretion of THE COMPANY.
- While granting the exposure limit, margin in the form of securities, will be valued as per the latest available closing price on NSE or BSE after applying appropriate haircut as may be decided by THE COMPANY at its sole discretion.
- THE COMPANY may from time to time depending on market conditions, profile and history of the Client, types

and nature of scrip, etc. at its sole discretion charge/change the rate of haircut applicable on the securities given as margin, multiplier for granting exposure in Cash/Derivative segments and take such steps as THE COMPANY may deem fit and appropriate.

- If the order of the Client is executed despite a shortfall in the available margin, the Client shall, whether or not THE COMPANY intimate such shortfall in the margin to the Client, makeup for the shortfall suo-moto immediately. The Client further agrees that he/she/it shall be responsible for all orders (including any orders that may be executed without the required margin in the account of the Client) and/or any claim/loss or damage arising out of the non-availability/shortage of margin or securities required by THE COMPANY and/or Exchange and/or Regulator.
- THE COMPANY is entitled to transfer funds and/or securities from his account for one exchange and/or one segment of the exchange to his/her/its account for another exchange and/or other segment of the same exchange whenever applicable and found necessary by THE COMPANY. The Client also agrees and authorizes THE COMPANY to trade/adjust his/her/its margin/security lying in one Exchange and/or one segment of the Exchange/towards the margin/security/pay-in requirements on other exchange and/or another segment of the exchange.
- In case the Client makes the payment of the margin/security/settlement obligation/debit in account through a Bank Instrument, THE COMPANY shall be at liberty to give the benefit/credit for the same only on the realization of the funds from the said bank instrument etc. at the absolute discretion of THE COMPANY.
- Where the margin/security is made available by way of securities or any other property, THE COMPANY is empowered to decline its acceptance as margin/security and/or to accept it at such reduced value as THE COMPANY may deem fit by applying hair-cuts or by valuing it by marking it to market or by any other method as THE COMPANY may deem fit in its absolute discretion.
- The formats provided by the Clearing Corporation of the respective Stock Exchanges and/or decided by of THE COMPANY for the issuance of Bank Guarantee(s) favouring THE COMPANY and/or the Clearing Corporation of the respective Stock Exchanges, shall be considered for maintaining margin.
- The Client will have to abide by the exposure limit set by THE COMPANY.

The company have devised separate procedures for setting up of Client's Exposure Limits for different market segments. These procedures for various market segments shall be as follows:

- The following methodology shall be adhered for the purpose of calculating "Avail Exposure" for trading exposure in the CAPITAL MARKET SEGMENT:
 - Limit will be provided on the available margin and on the applicable margin (after applicable haircut) of the respective stock. Upfront margin is required for all types of trades.
 - Net valuation is calculated by applying appropriate haircut based on VaR margin percentage specified by the exchanges or Ashika prescribed rates, as the case may be.

- Exposure would be granted only on cleared funds. In case of receipt of cheque, limit would be granted only upon clearance.
- No limit will be provided on the shares lying in the respective client DP a/c and also on trade to trades stock.
- No limit will be provided on shortage of margin.
- No further exposure/ limit will be given if overall margin is below 30%. I.e., no fresh buying will be allowed.
- No fresh buying limit shall be given on the same day upon the sell of shares lying in the respective Client Demat holding. Limit shall be provided only on next working day.
- The following methodology shall be adhered for the purpose of calculating “Avail Exposure” for trading in the DERIVATIVE - FUTURES MARKET SEGMENT:
 - 100% of the total applicable margin will be required as upfront margin including intraday trades.
 - No limit will be given in case of shortfall of margin.
 - At any point of time if the MTM on the open position exceeds 80% of the available margin, then the open position will get liquidated by the system automatically.
 - Any Intraday FO position will be auto square off at 3.20 pm by the system.
 - Any intraday Currency Position will be auto square off at 4.45 pm by the system.
 - Any intraday Commodity Position will be auto square off at 11.15 pm by the system.
 - M2M credit benefit will be provided for next day trades only.
 - In case of liquidation of the long open call/put option, the limit will be given for the proceeds on the next day.
 - No limit in case of 100% pledged share as collateral, there must have cash margin available with us.

Limit Setting for Exposures & Turnover:

- THE COMPANY shall follow a systematic approach for setting limits for trading.
The limits shall be set on both client level basis as also on terminal/branch basis/ Authorised Person.
Limits shall be set on the following parameters to ensure that at any point of time, no large orders of wrong quantities/ wrong rates can be placed from the terminals:
 - Quantity Limit for each Order.
 - Value Limit for each Order.
 - User Value Limit for each User Id.
 - Branch Value Limit for each Branch Id.
 - Security Wise Limit for each User Id.
- All the limits shall be reviewed regularly by the RMS Officer.
 - All the Branch, Authorised Person registered with MCX NCDEX or User shall have defined limits and No User, Branch and Authorised Person in the System shall be provided un-limited limits.
 - Defined number of variables and set of parameters like outstanding sales positions, outstanding purchase positions, outstanding square off positions etc. apart from the usual ledger balances, cash margins and securities

margins (after haircut) shall be considered for setting limits. Mark ups and mark downs shall be charged at particular rates on these outstanding positions to arrive at the exact amount 'available capital' for each of the clients. These figures shall be uploaded on the CTCL database on a daily basis.

- The clients shall be allowed to take exposure at "x" multiples on the said 'available capital'. The multiples shall be based upon the analysis of the clients' profile, financial ability, time since he has been registered with us, history and past performance, etc. Thus a client in spite of having credit balance cannot take further exposure because of his outstanding settlements. Similarly, a client having debit balance cannot take further exposure.
- All debit balances more than 5 days shall be marked and the limits shall be given only for SELLING to ensure the realization.

Margin Collection from Clients

- Risk Management System has been devised to ensure that there shall be no violations in the capital adequacy requirements with the exchanges and thus risks shall be minimized.
- Risk containment measures include upfront margin collection from clients, trading exposure on basis of margins collected from clients, online surveillance of client positions, liquidating client positions to the extent of client dues, squaring off client positions when client margin requirements are breached.
- Margins collected from the clients shall be of any of these forms:
 - Margins shall be accepted in Cash vide Account Payee Cheques (Preferably a Transfer Cheque or Direct Transfer) from the client issued from their accounts declared at the time of opening their securities account.
 - Margins shall be accepted vide Approved Securities as per list provided by THE COMPANY from time to time, which shall be valued subject to scrip-wise applicable hair cut based on Var Margin + Extreme Loss Margin in the CM segment.
 - Securities which are actively traded on the National Exchanges, which are specifically not declared as illiquid securities (by the Exchanges) shall only be considered towards margin collection in the form of Securities.
 - At least 50% of the Effective Deposits shall be in the form of cash.

Funds Pay-In/ Out

- THE COMPANY shall not receive/ pays in cash.
- THE COMPANY shall make/ receive payment on by an Account Payee Cheque or through E-Net.
- THE COMPANY shall accept payments of Funds for Pay-In and/or Cash Margin from the Bank Account(s) declared by the Client(s) in the KYC form and/or updated by the Client(s) thereafter.
- THE COMPANY shall not receive Pre-Funded Instruments from its Client and shall follow the Pre-Funded Instrument Policy as approved by the Board of Directors of the Company.
- THE COMPANY shall NOT accept Funds for Pay-In and/or for the purpose of Margin, from any undeclared Bank Account that has not been declared by the Client.
- In case the Funds are inadvertently accepted and/or forcibly credited to the Bank account of THE COMPANY, in such circumstances, credits shall not be given to the clients and shall be rejected and returned back to the source account upon careful due diligence.

- THE COMPANY shall settle account on T+2 day in the Capital Market Segment.
- THE COMPANY shall make Full payment of fund within one working day of receiving the relevant pay out from the Exchange or as per specific instruction received from clients.
- THE COMPANY shall collect Full payment of fund from the respective clients before Pay in of the respective exchange.
- THE COMPANY shall settle account on T+1 day in the Derivative Market Segment.
- THE COMPANY shall make Full payment of Mark to Market profit within one working day of receiving the relevant pay out from the Exchange or as per specific instruction received from clients.
- THE COMPANY shall collect Full payment for Mark to Market losses from the respective clients before Pay-In of the respective exchange.
- THE COMPANY shall make Pay-Out of funds to clients only after receiving securities due for Pay-in and after adjusting all types of Margins.
- THE COMPANY, under written authorization from the client, may retain the pay-out of funds for margins and/or future pay-in obligation on a running account basis with all exchange/segment net balance criteria. The inter exchange/segment Journal Entry shall be passed whenever required.
- THE COMPANY shall Withhold payout of funds on securities sold in respect of which unsolicited messages being circulated ("SMS Stocks") and transfer the same to the designated Bank Account earmarked for this purpose as directed by Stock Exchange(s)/SEBI from time-to-time.

Securities Pay-In/ Pay-Out

- THE COMPANY shall accept securities of Securities for Pay-In and/or Securities Margin from the Demat Account(s) declared by the Client(s) in the KYC form and/or updated by the Client(s) thereafter.
- THE COMPANY shall NOT accept Securities for Pay-In and/or for the purpose of Margin, from any undeclared Demat Account that has not been declared by the Client.
- In case the Securities are inadvertently accepted and/or forcibly credited to the Pool Account and/or Client Collateral Account of THE COMPANY, in such circumstances, credits shall not be given to the clients and shall be rejected and returned back to the source account upon careful due diligence.
- THE COMPANY shall deliver securities within one working day of receiving the relevant pay out from the Exchange to the respective clients demat account/Client unpaid securities account.
- THE COMPANY shall collect securities from the respective clients before Pay-In of the respective exchange.
- THE COMPANY shall make Pay-out of Securities to the clients only after receiving clear balances for pay-in of funds from clients.

Monitoring of Debit Balances

- The Risk Management Team shall monitor the debit balances of the client on a daily basis.
- The clients shall be advised to make payments of their dues by T+1 day or by T+2 day.
- In case the clients have not cleared their dues by T+5 day, the respective codes shall be marked for "ONLY SELL" over the Trading Terminals where the clients shall not be allowed to open fresh positions.

- In case of the clients having debit balances, the payout of securities shall be withheld in the CUSPA Account/ or will be transferred to the demat account of the client on the sole discretion of the management. In case the clients fail to clear their dues within 5 days, the Branch Manager shall follow up with the clients and inform them that in case the dues are not cleared, the same shall be realized by selling their collaterals as well as payout of securities held back in accordance to the Liquidation of Client Position Policy as approved by the board of Directors of the Company.
- Branch Head and Compliance Officer shall regularly monitor Debit Balances of clients and conduct ageing analysis of the Debit Balances, outstanding from the clients, on monthly basis and categorize them as: a) High Risk; b) Medium Risk; c) Low Risk.
 - Those clients whose outstanding dues remain more than 30 days THE COMPANY shall classify them into High Risk category and efforts shall be made to realize the money at the earliest.
 - Those clients whose outstanding dues remain more than 15 days but less than 30 days, THE COMPANY shall classify them into Medium Risk category and efforts shall be made to realize the money at the earliest.
 - Those clients whose outstanding dues remain more than 7 days but less than 15 days, THE COMPANY shall classify them into Low Risk category.
- In case of Huge Debits with Single Scrip Concentration, for any client, if the outstanding debit exceeds a certain amount and concentration is in a particular security on account of buying done / collateral provided, THE COMPANY may restrict the client from further buying or trading in that security. The client will be allowed to place only sell orders to reduce the debit. THE COMPANY will take discretionary decision to allow the client to trade if he brings in fresh Funds to clear the Debit or brings in different security as collaterals other than security which forms the significant concentration. The Clients Position may be squared off if necessary to reduce the debit.
- THE COMPANY may in exceptional circumstances, in the rarest of the rare cases, institute legal cases for the realization of Debits, upon approval of the Board of Directors of the Company.
- The statement of accounts shall be sent to clients upon settlement of Funds & Securities as well as at the end of each Calendar Quarter, to ensure that the balances are reconciled at regular intervals with the clients, to identify errors/disputes, if any and such errors/disputes are resolved at the earliest to ensure timely action.

Imposition of Penalty/Delayed Payment Charges

Delayed Payment Charges

- Pursuant to Exchange Bye-Laws, the Member Broker is currently required to compulsorily settle funds and securities within the stipulated time period as notified by the Exchanges for any transactions executed by a Client in any of the respective Stock Exchanges and/or market segments.
- Further the Member Broker is also required to maintain adequate upfront margins with the Exchange to avail exposure for Trading. The Exchanges have also defined the ratios in which the Cash and Collaterals are to be deposited and maintained by the Member Broker. In addition the Exchange requires the member broker to deposit some of the margins like Mark-To-Market (MTM), cash only.
- Under the circumstances, the Client shall settle all obligations with regard to Funds and Securities before the pay-

in deadline as notified by the Exchanges for any transactions executed by the Client in any of the respective Stock Exchanges and/or market segments, where the Client shall deal. That in case the Client fails to settle the obligations with regard to funds and securities before the stipulated pay-in deadline as notified by the Exchanges for any transactions executed by the Client in any of the respective Stock Exchanges and/or market segments, THE COMPANY would be at liberty and will be governed by the Policy approved by the board which forms Part & Parcel of this Policy.

- THE COMPANY, in exceptional circumstances, in the rarest of the rare cases, when legal cases are instituted for the realization of Debits, interest shall be levied as decided by the Court.

Imposition of Penalties

- The Exchange/Clearing Corporation/SEBI levies penalties on the Member Broker for irregularities observed by them during the course of business. THE COMPANY shall recover such imposed penalties/levies, if any, by the Exchange/Regulators, from the Client, which arise on account of dealings by such Client. Violations for which penalties may be levied are as follows:
 - Auction of Securities pursuant to short deliveries/non deliveries against sale by the Client.
 - Short Margin reporting in the Derivative Market Segment.
 - Any Other Reasons which the Exchanges/Clearing Corporation/SEBI may specify from time to time.
- Such recovery would be accounted by way of debit in the ledger of the Client and amounts would be adjusted against the dues.
- The trading activity of the Client should not be aimed at disturbing market equilibrium or manipulating market prices etc. If the Client does so, THE COMPANY may keep in abeyance the pay-out of funds and/or securities till such time that the Client has been able to clearly demonstrate that his/her/its actions were not malafide in any manner.
- THE COMPANY may impose fines/penalties for any orders/trades/deals/actions of the Client which are contrary to any of the rules/regulations/bye-laws of the Exchange or any other law for the time being in force, at such rates and in such form as it may deem fit. Further where THE COMPANY has to pay any fine or bear any punishment from any authority in connection with/as a consequence of/in relation to any of the orders/trades/deals/actions of the Clients the same shall be borne by the Client.
- If the Client gives orders/trades in the anticipation of the required securities being available subsequently for pay-in through anticipated pay-out from the exchange or through borrowings or any off-market deliveries or market deliveries and if such anticipated availability does not materialize in actual availability of securities/funds for pay-in for any reason whatsoever including but not limited to any delays/shortages at the exchange or Broker level etc., the losses which may occur to the Client as a consequence of such shortages in any manner, such as on account of auctions/square-off/closing outs etc., shall be solely to the account of the Client and the Client agrees not to hold THE COMPANY responsible for the same in any form or manner whatsoever. Without prejudice to the foregoing, the Client shall also be solely liable for all and any penalties and charges levied by the exchange(s).
- In case Open position (i.e. Short/Long) gets converted into delivery due to non-square off because of any reason whatsoever, the Client will provide securities/funds to fulfill the pay-in obligation failing which the Client will

have to face auctions/internal close-outs, in addition to this the Client will have to pay penalties and charges levied by exchange in actual and losses if any. Without prejudice to the foregoing, the Client shall also be solely liable for all and any penalties and charges levied by the exchange(s).

- THE COMPANY provide exposure against the upfront margin received in the form of Cash/Collateral from the Client and the Client also has the prerogative to demand withdrawal of cash and Collaterals at its discretion. The Client will not be entitled to any interest or other benefit on the credit balance/surplus margin available/kept with THE COMPANY.

Derivative Trading, Recovery of MTM Loss & Squaring off Derivative positions for margin shortfall

- Trading in Equity Shares, Derivative Contracts (in Equity, Currency, Commodities & Interest) or other instruments traded on the Stock Exchange(s), which have varying element of risk, is generally not an appropriate avenue for someone of limited resources/limited investment and/or trading experience and low risk tolerance. Clients shall therefore carefully consider whether such trading is suitable for them in the light of their financial condition. In case clients trade on Stock Exchanges and suffer adverse consequences or loss, the client shall be solely responsible for the same and Stock Exchanges/its Clearing Corporation/ SEBI and/or THE COMPANY shall not be responsible, in any manner whatsoever, for the same and it will not be open for the Clients to take a plea that no adequate disclosure regarding the risks involved was made or that the Client were not explained the full risk involved by THE COMPANY. The Client shall be solely responsible for the consequences and no contract can be rescinded on that account. The Client acknowledge's and accept's that there can be no guarantee of profits or no exception from losses while executing orders for purchase and/or sale of a derivative contract/s being traded on Stock Exchanges.
- That in the Derivative Contracts, the amount of margin is small relative to the value of the Derivatives Contract so the transactions are 'leveraged' or 'geared'. Derivatives Trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the margin amount. But transactions in derivatives carry a high degree of risk, with unlimited gains and/or unlimited losses.
- That an option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells his option in the secondary market nor exercises it prior to its expiration will necessarily lose his entire investment in the option. If the price of the underlying does not change in the anticipated direction before the option expires, to an extent sufficient to cover the cost of the option, The Client understands that it may lose all or a significant part of his investment in the option.
- That the Exchanges may impose exercise restrictions and have absolute authority to restrict the exercise of options at certain times in specified circumstances. That if the price movement of the underlying is not in the anticipated direction, the option writer runs the risks of losing substantial amount.
- That the risk of being an option writer may be reduced by the purchase of other options on the same underlying interest and thereby assuming a spread position or by acquiring other types of hedging positions in the options markets or other markets. However, even where the writer has assumed a spread or other hedging position, the risks may still be significant. A spread position is not necessarily less risky than a simple 'long' or 'short' position.

- That transactions that involve buying and writing multiple options in combination, or buying or writing options in combination with buying or selling short the underlying interests, present additional risks to investors. Combination of transactions, such as option spreads, are more complex than buying or writing a single option and as in any area of investing, a complexity not well understood is, in itself, a risk factor.
- That while this is not to suggest that combination strategies should not be considered, it is advisable, as is the case with all investments in options, to consult with someone who is experienced and knowledgeable with respect to the risks and potential rewards of combination transactions under various market circumstances.
- That liquidity refers to the ability of market participants to buy and/or sell securities/ derivatives contracts expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the numbers of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and/or sell securities/ derivatives contracts swiftly and with minimal price difference, and as a result, investors are more likely to pay or receive a competitive price for securities/ derivatives contracts purchased or sold. There may be a risk of lower liquidity in some securities/ derivatives contracts as compared to active securities/ derivatives contracts. As a result, my/our order may only be partially executed, or may be executed with relatively greater price difference or may not be executed at all.
- That trading on exchanges is in electronic mode, based on satellite/leased line based communications, combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond control and may result in delay in processing or not processing buy or sell orders either in part or in full.
- The failures may be on account of the trading software/engines developed by the Exchanges Like NOW/BEST which are beyond the Control at our end. In case of any loss occurred under such circumstances then the company shall not be responsible to indemnify any loss. The Client understands that it shall be cautious to note that although these problems may be temporary in nature, but when the Client shall have outstanding open positions or unexecuted orders, these may represent a risk because of its obligations to settle all executed transactions.
- As a matter of routine Risk Management and Compliance Procedures, it would be prudent to limit client's future exposure strictly as par with the initial margin collected and the client's ability to meet MTM loss quickly as advised by the Clearing Member/ Stock Exchanges, and the same is recovered from clients on T+1 day on the basis of Margin Short Collection Report. On the client's failure to put in additional margin to make good the MTM loss, it is imperative that the relative F&O position is squared off before margin short collection positions are uploaded to the Exchanges.
- The RMS Desk would intimate the Clients about their open positions and margin shortfall to the Clients which are dynamically accessible to the clients though their secured access to Back Office Software. The Clients having open positions should check their MTM and Margin Obligations without failure on a regular basis as Margin and MTM Obligations change dynamically during the course of the day. In Such Scenario the company shall be at liberty to Square off the Position.
- THE COMPANY may at its sole discretion close open positions to cover risks in case the client fails to comply with

any Margin Requirements as stipulated by the Exchanges as also if MTM losses breach 85% of the collateral deposits maintained by the Client. All open positions shall be squared off by Risk Management Team at the prescribed cut-off time on the same day of their acquisition in case of Intra-Day Positions, unless the positions are sooner squared off upon the positions incurring a loss to the extent of the prescribed maximum limit or more as may be determined by THE COMPANY from time to time. The Square-Off of open positions shall be on best effort basis and that if for any reason beyond your control, like force majeure causes, disruptions in the communication network, system failure, slow or delayed response from system, trading halts, or the Exchange applying circuit filters because of which the open positions could not be squared off on T-Day and are carried forward to T+1 Day, the square off such open positions shall be executed on a best effort basis, as soon as may be, and any and all losses, including but not limited to price difference, margin shortfall, surveillance margin, penalty, interest, etc., arising from such events will be to the account of the Client.

- The Client agrees and voluntarily accepts that it shall not hold THE COMPANY, its Directors, Key Managerial Persons, Officers or employees liable for any losses which it may sustain and incur as a consequence of availing Derivative Trading Facility.

Liquidation of Securities without Consent of Clients

- The Client needs to furnish adequate margin as specified by THE COMPANY from time to time from its sole and absolute discretion. It shall be the responsibility of the Client to ascertain in advance the margin requirement for its order/trades/deals and to ensure that the required margin is made available to THE COMPANY in such form and manner as may be required by THE COMPANY.
- The margin will have to be paid within the time frame stipulated by the Exchanges or THE COMPANY, generally in case of fresh positions upfront, in case of Mark-to-Market and/or any other additional margins before the commencement of trading on next trading day and in case where the exchanges levy and/or increase any margin required during the day, immediately upon levy and/or increase in any such margin.
- The Client shall fulfill all its settlement obligations within the time frame, stipulated by THE COMPANY or the Exchanges, whichever is earlier. The Client shall ensure timely availability of funds/securities in designated form and manner at designated time and in designated bank and depository account(s) at designated place, for meeting its pay-in obligations of funds and securities. THE COMPANY shall not be responsible for any claim/loss/damage arising out of non-availability/short-availability of funds/securities by the Client in the designated account(s) of THE COMPANY for meeting the pay-in obligation of either funds or securities.
- THE COMPANY shall have right to sell securities of the Client, both on paid securities as well as collaterals deposited towards margins, or close-out open positions of the Client, without giving notice to the Client where there is a delay/failure of the Client to meet the pay-in obligations and/or there is a failure of the Client to bring additional margins to cover the increase in risk in the dynamic market conditions.
- As per the present Exchange requirements, the Member Broker is required to maintain 50:50 ratios between cash and collateral margin deposited with the Exchange. THE COMPANY shall therefore have the prerogative to insist for margin in the similar ratio as mandated by the Exchange from its Clients and may not consider the value of securities over and above the cash component for the purpose of calculating margins shortfall and close the

Derivative position where it finds the deviation. However, sales made in capital market segment are not considered while closing Derivative positions on T and T+1 basis due to margin shortfall.

- There should be morning intimation from RMS to Branches intimating the names of the clients whose positions are to be exited.
- THE COMPANY has the right but not the obligation to cancel all pending orders and to sell/close/liquidate all open positions/securities/shares at the pre-defined square-off time or when mark-to-market (MTM) percentage reaches or crosses stipulated margin percentage decided by THE COMPANY. THE COMPANY will have sole discretion to decide referred stipulated margin percentage depending upon the market conditions. Such margin percentage will be communicated from time-to-time orally or through e-mails or through its Trading Terminals, Branch representatives etc. However in the event of extreme volatility and/or open position (outstanding) of Client resulting in mark to market losses beyond margin percentage of THE COMPANY anytime during the trading session, and/or positions of the Client or collateral being not saleable, thereby forcing THE COMPANY liquidate any of the available positions of the Client and collateral same shall be done by THE COMPANY during the course of Trading Session without recourse to the Client.
- In the event of such Square-Off, the Client agrees to bear all the losses (actual or notional), financial charges, damages based on account of such liquidation/sale/closing-out on actual executed prices.
- THE COMPANY is entitled to prescribe the date and time by which the margin/security is to be made available and THE COMPANY may refuse to accept any payments in any form after such deadline for margin/security expires. If the Client fails to maintain or provide the required margin/fund/security or to meet the funds/margins/securities pay-in obligations for the orders/trades/deals of the Client within the prescribed time and form, THE COMPANY shall have the right without any further notice or communication to the Client to take any one or more following steps:
 - To withhold any pay-out of funds/securities.
 - To withhold/disable the trading of the Client.
 - To liquidate one or more securities of the Client by selling the same in such manner and at such rate which THE COMPANY may deem fit in its absolute discretion. It is agreed and understood by the Client that securities here includes securities, which are pending delivery/receipt.
 - To liquidate/square-off partially or fully the position of sale and/or purchase in any one or more securities/contracts in such manner and at such rate which THE COMPANY may decide in its absolute discretion.
 - To take any other steps, which in the given circumstances, THE COMPANY may deem fit.
- The Client agrees that the losses if any, on account of any one or more steps enumerated herein above been taken by THE COMPANY, shall be borne exclusively by the Client alone and agrees not to question the reasonableness, requirements, timings, manner, form, pricing, etc., which shall be chosen by THE COMPANY.
- THE COMPANY may follow the required Policy in place for liquidation of securities but it may not be binding on it to follow this method in all cases.
- THE COMPANY shall have right to close-out any intra-day positions taken by the Client after a defined "Cut-Off"

time as decided by THE COMPANY. Such "Cut-Off" time will be communicated from time-to-time orally or through e-mails or through its Trading Terminals, Branch representatives etc.

- In case of failure to comply with any provisions of the Bye Laws, Rules and Regulations of the Exchange/Clearing Corporation, requirements of the Exchange/Clearing Corporation including the requirements pertaining to the position limits as imposed by the relevant authority from time to time, the relevant authority may at its discretion, either on its own or on the advice from the Clearing Corporation, without notice close-out open positions to the extent possible or take any such measures or actions, as may be deemed fit from time to time. The Client shall not hold THE COMPANY/Exchange(s) responsible for losses, if any, on such measures or actions.
- THE COMPANY shall have the right to sell securities of the Client or Close-Out open positions of the Client but it shall not be under any obligations to undertake this exercise compulsorily. THE COMPANY shall therefore not be under any obligation to compensate/or provide reasons of any delay or omission on its part to sell securities of the Client or close open positions of the Client.
- Restriction for Further Position: An illustrated list of circumstances in which THE COMPANY may not allow the Client to take further positions or may Close/Liquidate a part or whole of the existing position of the Client are as follows:
 - Failure by the Client in providing sufficient/adequate margin(s) and/or insufficient/inadequate free credit balance available in the account of the Client.
 - If the Client fails to deposit the margin/additional margin by the deadline or if an outstanding debit occurs in the account of the Client beyond the stipulated time period.
 - If the Client fails to maintain, the requisite margin, in such form and manner, as may be specified by THE COMPANY, from time-to-time.
 - Settlement obligations are not paid by the Client within the time frame allowed by the Exchanges or as per the norms specified by THE COMPANY from time-to-time at its sole and absolute discretion.
 - Securities falling in the category of Penny Stocks/Illiquid Stocks/Contacts/Options as described in Policy (I) above.
 - List of securities marked ("SMS Stocks") published by the Exchange(s) from time-to-time
 - Trades, which apparently in the sole and absolute discretion of THE COMPANY seems to be synchronized trades/circular trading/artificial trading/manipulative in nature, etc.
 - In case any Relevant Authority is of the Opinion that a particular underlying no longer meets its requirements for Trading or is not eligible for Trading or if the Relevant Authority decided to discontinue trading in particular market segment for such reasons as it may deem fit and may in such circumstances impose restrictions on transactions that no new open positions can be taken in such underlying and/or contact that have been previously introduced.
 - In case any Relevant Authority may limit the transactions with regard to the total number of securities and/or contracts on an underlying that a single investor and/ or group of investors acting in concert may take up and/or exercise during such time period as may be prescribed by the Relevant Authority from time to time.
 - In case any Relevant Authority may at any time in its absolute discretion prescribe maximum long and/or short open positions for any Client and/or group of Clients with regard to quantity and/or value for any underlying

and/or contact.

- Any ban imposed on the Client by the Regulatory Authorities.
- The Client have been found in the opinion of THE COMPANY of any misconduct, forgery, suppression of facts and falsification of information provided by the Client at the time of opening of the Trading Account with THE COMPANY.
- Where name of the Client apparently resembles with the name appearing in the list of debarred entities published by SEBI/Exchanges [where the information available for the debarred entity (other than name) is not sufficient enough to establish that the Client and such debarred entity are one and the same].
- In case it is found in the opinion of THE COMPANY, any terms and conditions, with regard to the Rights and Obligations and/or Policies & Procedures (both Mandatory and Voluntary), signed by the Client at the time of opening the Securities Trading Account has been violated.
- The Client fails to furnish documents/information as may be called for by THE COMPANY from time- to-time as per regulatory requirement and/or as per its internal policy.
- The Client fails to comply with any provisions of the Bye Laws, Rules and Regulations of the Exchange/Clearing Corporation, requirements of the Exchange/Clearing Corporation and any Relevant Statutory & Regulatory Authorities.
- In the event of death or insolvency or lunacy of the Client otherwise becoming incapable of receiving and paying for or delivering or transferring securities which the Client has ordered to be bought or sold.
- Depending on the market circumstances if THE COMPANY is of the view that the positions of the Client are at risk then THE COMPANY may close the existing position without waiting for the pay-in schedules of the exchanges.
- In case in the opinion and sole discretion of THE COMPANY, that such further position would be adverse and detrimental to the Compliance Requirement with regard to any provisions of the Bye Laws, Rules and Regulations of the Exchange/Clearing Corporation, requirements of the Exchange/Clearing Corporation and any Relevant Statutory & Regulatory Authorities.
- THE COMPANY may at any time at its sole discretion and without prior notice, prohibit or restrict the Clients ability to place orders or trade in securities/contract through THE COMPANY, or it may subject any order placed by the Client to a review before its entry into the trading systems and may refuse to execute/allow execution of orders due to but not limited to the reason of lack of margin or contracts which are not in the permitted list of THE COMPANY/Exchange(s)/any other Regulatory Body or the order being outside the limits set by THE COMPANY/Exchange and any other reasons which THE COMPANY may deem appropriate in the circumstances. The Client shall not hold THE COMPANY/Exchange(s) responsible for losses, if any on account of such refusal or due to delay caused by such review, etc. THE COMPANY is also entitled to disable/freeze the accounts and/or trading facility/any other service facility, if, in the opinion of THE COMPANY, the Client has committed a crime/fraud or has acted in contradiction of these Policies and Procedures or/is likely to evade/violate any laws, rules, regulations, directions of a lawful authority whether Indian or Foreign or if THE COMPANY so apprehends.
- Operational Principle: These are as follows:
 - THE COMPANY shall in normal circumstances avoid liquidation of Securities without informing the clients.

However, in exceptional market circumstances, THE COMPANY may have to resort to liquidation of securities to realize dues and cover risk of the Company.

- THE COMPANY shall inform the client regarding the dues and margin obligations on a daily basis through e-mail/courier/Hand Delivery. The RMS Officer shall personally call upon the clients, whose margin is due, to apprise the clients of the penalties which are charged due to shortfall in Margin as well as the recourse which the Company has to most reluctantly initiate as per the Rules and Regulations laid by the Exchange/Regulator. Continuous follow up with the clients shall be made till T+4 days, regarding the dues to make good in the stipulated time period.
- The RMS Officer/ Associate Compliance Officer shall inform the client both verbally and in writing before the liquidation of positions, detailing the exact situations/reasons wherein such unavoidable measures of squaring off had to be undertaken by the Company.
- Records regarding margin calls made are shall be maintained by the Risk Management Department and reported to the Compliance Officer.

Refusal of Orders of Penny Stocks

- Penny Stocks and/or Illiquid Stocks /Contracts/Options are risky investments due to thin liquidity; greater volatility factor as well as they are infrequently traded on the stock exchanges. In view of the risks involved in dealing with Penny Stocks and/or Illiquid Stocks/ Contracts/Options, THE COMPANY shall generally advise its Clients to desist from trading in them.
- A Security may be treated as Penny Stocks and/or Illiquid Stocks/Contracts/Options if it falls in any one category as mentioned herein below:
- List of Illiquid Securities issued by the Exchanges periodically.
 - Trade-to-Trade settlement.
 - “Z” - Group.
 - Illiquid Options/Far Month Options/Long Dated Options.
 - Any other Securities/Contracts/Options as may be decided by THE COMPANY, which may be considered by THE COMPANY in its sole discretion as volatile or have concentration risk at Client level or at the security level or any other reason.
 - Stocks under Graded Surveillance
 - Stocks where Unsolicited Messages are Circulated (“SMS - Stock”)
- SEBI has directed the Exchanges to draw up a list of illiquid securities based on criteria jointly agreed between BSE, NSE and SEBI and make it available to the trading members on a monthly basis and such list shall be reviewed on a monthly basis.
- As trading members have been advised by the Regulatory Authorities to exercise additional due diligence while trading in Penny Stocks and/or Illiquid Stocks/Contracts/ Options, THE COMPANY shall have exclusive rights and prerogative to refuse and/or to accept such orders with regard to Penny Stocks and/or Illiquid Stocks/Contracts/Options, notwithstanding the fact that the Client has adequate credit balance or margin available in his/her/its account and/or the Client had previously purchased or sold such securities through THE

COMPANY. In case of F & O segment, all the far Month Option contracts and third Month Option Contracts may not have buy and sell limit due to its illiquid nature. However, in all above cases if client still wish to trade then the client needs to coordinate with the respective branch and the limit will be set by Head Office after analyzing the requirement.

- THE COMPANY may permit restrictive acceptance of orders in such scrips in controlled environments like asking the Client to place orders at a centralized desk at Head Office instead of allowing trading in such scrips at Branch Level.
- THE COMPANY shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the Client. THE COMPANY may cancel orders in such scrips received from Clients before execution or after partial execution without assigning any reasons thereof.
- THE COMPANY may take appropriate declarations from the Clients before accepting such orders.
- THE COMPANY shall be free to charge upfront payment for the purchase transaction in penny Stocks as well as upfront delivery in case of sale transactions of such Penny Stocks and/or Illiquid Stocks/Contracts/Options.

Refusal of Orders in Stocks which are Settled in Physical mode/ Optional Demat mode

- The Securities forming a part of the below group will not be allowed for trades. In case the clients have bought the shares through THE COMPANY, exit route will be allowed to the clients.

BSE/NSE Group	Group Particulars
P	Scrips traded and settled in Physical mode/ Optional Demat mode
ZP	Scrips of Non-compliant companies (Non-compliance with clauses of Listing Agreement) & traded and settled in Physical mode/ Optional Demat mode
R	Rights Renunciation Forms - Settled in Physical mode
BZ	Z Category stocks settled on Trade for Trade basis.

Refusal to Accept Buy and/or Sell Orders at Abnormal Prices

- Regulatory Authorities and Stock Exchanges have come across instances, where a Client/set of Clients were observed to be executing matched trades in illiquid securities and/or future contracts and/or options contracts reversing transactions with significant variation in prices between first and reversing trades. Such trades were executed at prices, which apparently had no relation to the price of underlying security at that point of time. Precisely the modus operandi taken in such trades wherein one Client/set of Clients trading through a particular trading member would incur a loss and the counter party Client trading through another trading member would earn a profit. In most of the cases, one or both legs of transactions were away from the current market price. Some of the trading members reported that the Clients who suffered losses failed to meet their obligations.
- Regulatory Authorities and Stock Exchanges have come across instances, where a Client/set of Clients were observed to be executing large transactions in the form of block deals executed in certain scrips in the stock exchanges, which prima-facie, appear to have been negotiated in advance between the parties and then put through the Stock Exchange mechanism in a synchronized manner. Media reports appearing on the subject have also alleged

that some of these transactions might have been executed by certain market participants with an ulterior motive to distort the fair price discovery in such scrips. Such market practices do not appear to be in conformity with the extant guidelines/regulations of SEBI/ Stock Exchanges.

- THE COMPANY would have exclusive rights and prerogative to refuse and/or to accept such orders with regard to securities in respect of which unsolicited message being circulated by the unregistered/unauthorised entities, irrespective of the facts that the clients have credit balance in their securities account.
- Such types of transactions, mentioned herein above are under the regulatory purview and are hence, being scrutinized by the stock exchanges and SEBI, concurrently. SEBI/Stock Exchanges may take punitive action for any possible violation of the provisions of the extant guidelines/regulations of SEBI/Stock Exchanges against the market participants who indulge in such type of transactions.
- As trading members have been advised by the Regulatory Authorities to exercise additional due diligence while trading in these securities, orders placed in such securities would be executed upon the sole discretion of THE COMPANY.
- THE COMPANY would have exclusive rights and prerogative to refuse and/or to accept such orders with regard to Penny Stocks and/or Illiquid Stocks/Contracts/Options and/or order and/or orders which, prima facie appear to be non-genuine, notwithstanding the fact that the Client has adequate credit balance or margin available in his/her/its account and/or the Client had previously purchased or sold such securities/contracts through THE COMPANY.
- In view of the above, the Client(s) would not be allowed to place both buy and sell orders at abnormal prices and/or price differences in the Cash Market Segment, Future Market Segment and in case of option contracts, that might not have any relevance to the movement in prices in underlying securities at that point of time.
- THE COMPANY may permit restrictive acceptance of orders in such Penny Stocks and/or Illiquid Stocks/Contracts/Options in controlled environments like asking the Client to place orders at a centralized desk at Head Office instead of allowing trading in such Penny Stocks and/or Illiquid Stocks/ Contracts/ Options at Branch Level.
- THE COMPANY shall not be responsible for delay in execution of such orders and consequential opportunity loss or financial loss to the Client.
- THE COMPANY may cancel orders in such Penny Stocks and/or Illiquid Stocks/ Contracts/ Options received from Clients before execution or after partial execution without assigning any reasons thereof.
- THE COMPANY may take appropriate declarations from the Clients before accepting such orders.

Graded Surveillance Measures (GSM):

- Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, have been introducing various enhanced pre-emptive surveillance measures such as reduction in price band, periodic call auction and transfer of securities to Trade to Trade category from time to time. The main objective of these measures is to;
 - alert and advice investors to be extra cautious while dealing in these securities and

- advice market participants to carry out necessary due diligence while dealing in these securities.
- In continuation to various surveillance measures already implemented, SEBI and Exchanges, pursuant to discussions in joint surveillance meetings, have decided that along with the aforesaid measures there shall be additional Graded Surveillance Measures on securities which witness an abnormal price rise not commensurate with financial health and fundamentals like Earnings, Book value, Fixed assets, Net worth, P/E multiple, etc.
- The list of such securities identified under GSM shall be informed to market participants separately and shall be available on exchanges website.
- Further, GSM framework shall come in to action one week from the publishing of the list.
- All market participants dealing in identified securities have to be extra cautious and diligent as, Exchanges and SEBI may at an appropriate time subject to satisfaction of certain criteria lay additional restrictions such as:
 - placing / continuing securities in trade to trade category,
 - requirement of depositing additional amount as Surveillance Deposit, which shall be retained for an extended period.
 - once in a week trading,
 - once in a month trading and
 - freezing of price on upper side of trading in securities, as may be required.
 - any other surveillance measure as deemed fit in the interest of maintaining the market integrity
- All the aforesaid actions shall be triggered based on certain criteria and shall be made effective with a very short notice.
- The above surveillance actions are without prejudice to the right of Exchanges and SEBI to take any other surveillance measures, in any manner, on a case to case basis or holistically depending upon the situation and circumstances as may be warranted.
- The members trading in the identified securities either on their own account or on behalf of clients shall be kept under close scrutiny by the exchange and any misconduct shall be viewed seriously.
- The detailed criteria for shortlisting & review of securities under GSM Framework is given below:

Criteria I:

- The following criteria shall be made applicable for inclusion of securities under GSM Framework.
- Securities with latest available Net worth (Share Capital + Reserves & Surplus – debit balance in P&L) less than or equal to Rs. 10 crores; AND
- Securities with latest available Net Fixed Assets (Tangible Assets + Capital Work in Progress) less than or equal to Rs. 25 crores; AND
- Securities with PE greater than 2 times PE of Benchmark Index (Nifty 500 or S&P BSE 500) OR negative PE. The following securities shall be excluded from the process of shortlisting of securities under GSM:
- Securities where the price discovery is yet to take place as per the provision of SEBI circulars CIR/MRD/DP/01/2012 and CIR/MRD/DP/02/2012 dated January 20, 2012.
- Securities already under suspension;
- Securities on which derivative products are available;

- Securities as a part of any index (NSE or BSE);
- Public Sector Enterprises and its subsidiaries, if available;
- Securities listed during last 1 year through Initial Public Offering (IPO);
- Securities which have paid dividend for each of last three preceding years;
- Securities with Institutional holding greater than 10% only if following conditions are met:
- If the promoter entity has not offloaded any share in the last 5 years; AND
- The current trading price of the security is within the range of High & Low price in last 3 years of the respective security.
- Securities listed through Scheme of Arrangement involving Merger / Demerger during last 1 year:
- In case of demerger, the following condition shall be applicable:
- If the parent company is under purview of GSM, the resultant demerged companies shall also attract GSM.
- If the parent company is not under purview of GSM, the resultant demerged companies shall not be part of GSM at the time of demerger and shall be considered during the subsequent quarterly review.
- In case of merger of companies, if any of the securities at time of merger are under the purview of GSM, then the same shall be continued on the resultant entity.

Criteria II:

- The following criteria shall be made applicable for inclusion of securities directly under GSM - Stage I.
- Securities with full market capitalization less than Rs. 25 crore; AND
- Securities with PE greater than 2 times PE of Benchmark Index (Nifty 500 or S&P BSE 500) OR
- Securities with negative PE, the following should be considered:
 - P/B (Price to Book) value of scrip greater than 2 times the P/B value of Benchmark Index (Nifty 500 or S&P BSE 500) OR
 - P/B value is negative.
- The criteria for shortlisting & review of securities under GSM Framework are subject to changes from time to time. THE COMPANY shall intimate its Clients vide Circulars and updation on the Website of THE COMPANY regarding such changes. Clients are advised to follow the same to keep them updated on the GSM Framework.

Additional Surveillance Measure (ASM)

- Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, have been introducing various enhanced pre-emptive surveillance measures such as reduction in price band, periodic call auction and transfer of securities to Trade to Trade category from time to time.
- In continuation to various surveillance measures already implemented, SEBI and Exchanges, pursuant to discussions in their joint surveillance meetings, have decided that along with the aforesaid measures there shall be Additional Surveillance Measures (ASM) on securities with surveillance concerns viz. Price variation, Volatility etc.
- Accordingly, review for identification of securities for placing in ASM Framework has been carried out by the Exchanges. The surveillance actions applicable for the shortlisted securities is as under:
- Securities shall be placed in Price Band of 5%

- Margins shall be levied at the rate of 100%
- The shortlisted securities are monitored on a pre-determined objective criteria and would be moved into Trade for Trade segment once the criteria gets satisfied. Market participants may note that ASM framework shall be in conjunction with all other prevailing surveillance measures being imposed by the Exchanges from time to time.
- A Joint Surveillance meeting of Exchanges and SEBI was held on October 26, 2018 and the current ASM framework was reviewed. The updated ASM framework is provided below:

Section I: Long-term Additional Surveillance Measure (Long-term ASM):

The following four criteria shall be made applicable for selection of stocks in the Long Term ASM Framework.

- High-Low Price Variation (based on corporate action adjusted prices) in 3 months \geq (150% + Beta (β) of the stock * S&P BSE Sensex variation).

AND

Concentration of Top 25 clients account \geq 30% of combined trading volume of BSE & NSE in the stock in last 30 days.

- Close-to-Close Price Variation (based on corporate action adjusted prices) in the last 60 trading days \geq 100% + (Beta (β) of the stock * S&P BSE Sensex variation).

AND

Concentration of Top 25 clients account \geq 30% of combined trading volume of BSE & NSE in the stock in last 30 days.

- Close-to-Close Price Variation (based on corporate action adjusted prices) in 365 days greater than \geq 100% + (Beta (β) of the stock * S&P BSE Sensex variation).

AND

High-Low Price Variation (based on corporate action adjusted prices) in 365 days \geq (200% + (Beta (β) of the stock * S&P BSE Sensex variation).

AND

Market Cap > Rs.500 Crore.

AND

- Concentration of Top 25 clients account \geq 30% of combined trading volume of BSE & NSE in the stock in last 30 days.
- Average daily Volume in a month is \geq 10,000 shares & > 500% of Average volume in preceding 3 months at BSE & NSE.

AND

Concentration of Top 25 clients account \geq 30% of combined trading volume of BSE & NSE in the stock in last 30 days.

AND

Average Delivery% is < 50% in last 3 months.

AND

Market Capitalization is > Rs.500 Crore.

AND

Close-to-close price variation (based on corporate action adjusted prices) in last one month is $> (50\% + \text{Beta } (\beta) \text{ of the stock } * \text{ S\&P BSE Sensex variation})$.

- Exemption: Bulk/Block (maximum of buy /sell value), i.e., Average Volume of Bulk or Block Quantity/Average Volume of the Security greater than 50%.
- Note: The Beta (β) factor shall be applicable only in case of positive index variation.
- The following securities shall be excluded from the process of shortlisting of securities under ASM:
 - Public Sector Enterprises and Public Sector Banks
 - Securities already under Graded Surveillance Measure (GSM)
 - Securities on which derivative products are available
 - Securities already under Trade for Trade
- Stocks which are currently in ASM / ASM T2T and meeting the criteria for revised long term ASM shall be moved to Stage I (as explained in para b below) of Long Term ASM under the revised framework with effect from October 31, 2018.
- Stocks which are currently under the ASM framework and meeting the following conditions as on the review date shall be moved out of Long Term ASM with effect from October 30, 2018 but will be subject to short term ASM as mentioned in Section II of the notice:
 - No. of shareholders as per the shareholding pattern is (in any of the last available 4 quarters) $> 1,00,000$.

AND

- Stocks that have been subject to Long Term ASM for a continuous period of at least 90 days.

The applicable surveillance action on shortlisted scrips based on the above criteria shall be as follows:

- Stage wise Surveillance action after inclusion in Long Term ASM:

Stage	Conditions for Entry	Action
I	Identification of securities based on entry criteria.	Applicable margin shall be 80% from T+3 day for all clients.
II	Stocks which are already in Stage I of Long term ASM, satisfying the following conditions in 5 consecutive trading days: Close-to-Close Variation (based on corporate action adjusted prices) $\geq 25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ S\&P BSE Sensex variation}$. <p style="text-align: center;">AND</p> Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of BSE & NSE in the stock in last 30 days.	Reduction of price band to next lower level and applicable margin shall be 100% from T+3 day for all clients.
III	Stocks which are already in Stage II of Long term ASM, satisfying the following conditions in 5 consecutive trading days: Close-to-Close Variation (based on corporate action adjusted prices) $\geq 25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ S\&P BSE Sensex variation}$. <p style="text-align: center;">AND</p> Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of BSE & NSE in the stock in last 30 days.	Further reduction of price band to next lower level and applicable margin shall be 100% from T+3 day for all clients.

IV	<p>Stocks which are already in Stage III of Long term ASM, satisfying the following conditions in 5 consecutive trading days: Close-to-Close Variation (based on corporate action adjusted prices) $\geq 25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ S\&P BSE Sensex variation.}$</p> <p style="text-align: center;">AND</p> <p>Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of BSE & NSE in the stock in last 30 days.</p>	<p>Settlement will be on Gross basis with 100% margin on all clients and 5% price band.</p>
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Review Period and Exit

- Securities completing 60 calendar days in long term ASM Framework shall be eligible for exit from the framework subject to stage-wise exit as mentioned below.
- The stage-wise review of stocks shall be on a weekly basis.
- Exit for stocks shall be in stages as follows as on review date:
 - Stocks in stage I shall be eligible for exit from Long-term ASM framework subject to such stocks not meeting the entry criteria of long term ASM.
 - Stocks in Stage IV shall move to Stage III if such stocks do not meet the entry criteria for stage IV.
 - Stocks in Stage III shall move to Stage II if such stocks do not meet the entry criteria for stage III.
 - Stocks in Stage II shall move to Stage I if such stocks do not meet the entry criteria for stage II.
- The Exchanges shall jointly frame operational modalities for the aforesaid phased exit framework.
- Securities meeting the revised entry criteria shall be moved to Stage I (as explained in para b above) of Long Term ASM under the revised framework with effect from October 31, 2018.

Section II: Short-term Additional Surveillance Measure (Short-term ASM):

Further, it has been decided to introduce the Short-term ASM framework for securities as mentioned hereunder:

Stage I

- Criteria for Identification of stocks:

<p>Stocks witnessing Close-to-Close Price Variation (based on corporate action adjusted prices) $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ S\&P BSE Sensex variation})$ in 5 trading days.</p> <p style="text-align: center;">AND</p> <p>Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of BSE & NSE in the stock in 5 trading days.</p>	OR	<p>Stocks witnessing Close-to-Close Price Variation (based on corporate action adjusted prices) $\geq (\pm 40\% + \text{Beta } (\beta) \text{ of the stock } * \text{ S\&P BSE Sensex variation})$ in 15 trading days.</p> <p style="text-align: center;">AND</p> <p>Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of BSE & NSE in the stock in 15 trading days.</p>
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Stocks identified as per the above criteria in any of the exchanges shall be shortlisted under the framework. Action on the shortlisted stocks:

- Applicable margin rate for the shortlisted stock will be 1.5 times the existing margin OR 40%, whichever is

higher, subject to maximum rate of margin capped at 100%.

- Top 10 clients based on the gross traded value, subject to their traded value greater than Rs.10 lakhs, will be levied 100% margin on their traded value at End-of-Day (EoD).
- On identification of stocks, Exchange shall seek clarification from the company whether there is any corporate announcement that has not been disseminated to market. The clarification so received shall be disseminated to the market.
- A surveillance dashboard shall also be displayed on the Exchange website mentioning the names of such stocks and other relevant details to inform the investors.

Stage II

Criteria:

<p>Stocks witnessing Close-to-Close Price Variation (based on corporate action adjusted prices) $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ S\&P BSE Sensex variation})$ in any 5 consecutive trading days during the 15 days following the inclusion in Stage I.</p> <p>AND</p> <p>Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of BSE & NSE in the stock during the above mentioned 5 days period.</p>	OR	<p>Stocks witnessing Close-to-Close Price Variation (based on corporate action adjusted prices) $\geq (\pm 25\% + \text{Beta } (\beta) \text{ of the stock } * \text{ S\&P BSE Sensex variation})$ in any 15 consecutive trading days during the 45 days following the inclusion in Stage I.</p> <p>AND</p> <p>Concentration of Top 25 clients account $\geq 30\%$ of combined trading volume of BSE & NSE in the stock during the above mentioned 15 days period.</p>
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• **Action on the shortlisted stocks:**

- Applicable margin rate for the shortlisted stock will be 2.5 times the existing margin OR 80%, whichever is higher, subject to maximum rate of margin capped at 100% on all clients.
- Top 10 clients based on the gross traded value, subject to their traded value greater than Rs.10 lakhs, will be levied 100% margin on their traded value at End-of-Day (EoD).

• **Exit Criteria:**

- The stocks shall be retained in each stage as applicable for a minimum period of 5 / 15 trading days and shall be eligible for review from 6th / 16th Trading day onwards.
- Accordingly, if a stock is not meeting entry criteria on the review date, it shall be moved out of Short-term ASM framework.
- As long as a stock continues to meet the criteria for Short-term ASM without attracting the criteria for Long-term ASM, the stock will continue to be subject to the Stage II of ASM framework.
- Once the stock moves to Long-term ASM framework, the above mentioned Short-term ASM provisions will not apply to the stock.

• Exchanges shall also be monitoring the PE ratios of stocks and in case of stocks having relatively/abnormally high valuations compared to sectoral / broad indices, additional surveillance measure in conjunction with Short term/ Long term ASM shall be imposed.

• It may be noted that the shortlisting of securities under ASM is purely on account of market surveillance and it

should not be construed as an adverse action against the concerned company

- The criteria for shortlisting & review of securities under ASM Framework are subject to changes from time to time. THE COMPANY shall intimate its Clients vide Circulars and updation on the Website of THE COMPANY regarding such changes. Clients are advised to follow the same to keep them updated on the ASM Framework.

Unsolicited Messages (SMS Stocks)

- Clients are advised to remain cautious on the unsolicited emails and SMS advising investor to buy, sell or hold securities and trade only on the basis of informed decision.
- Investors are also requested to share their knowledge or evidence of systemic wrongdoing, potential frauds or unethical behavior through the anonymous portal facility provided on Exchange website and mail at the following addresses:
 - invg@nse.co.in
 - investigation@bseindia.com
- In recent past, Exchange has come across SMS tips being circulated whereby as a festive bonanza, various stocks are being recommended with higher price targets leading to heightened trading activities in such stocks.
- THE COMPANY advises their clients to exercise caution towards unsolicited emails and SMS and also request their clients to buy, sell or hold securities and trade only on the basis of informed decision. Clients are further requested not to blindly follow these unfounded rumours, tips etc. and invest after conducting appropriate analysis of respective companies.
- In view of above & as a part of surveillance measure to protect investor's interest and maintain market integrity, Exchange is once again advising members to exercise greater caution with respect to tips / rumours circulated via various mediums such as analyst websites, social networks, SMS, WhatsApp, Blogs etc. while dealing in the securities listed on the Exchange on behalf of their clients.
- The Securities identified by Exchange(s) in which unsolicited SMS are circulated shall be kept suspended and barred from further buying & selling by THE COMPANY and shall be monitored on regular basis.
- The Clients shall remain cautious on the unsolicited emails and SMS advising to buy, sell or hold securities and trade only on the basis of informed decision.
- THE COMPANY may in exceptional circumstances, where the Client has dealt in "SMS Stocks, shall withhold the pay-out of funds and/or securities of the Client and/or suspend the Demat Accounts for Debits, without assigning any reasons, to adjust the Traded Value of Trades in such SMS Stocks with retrospective effect and transfer the same to the Designated Bank Account earmarked for this purpose as mandated by Stock Exchange(s)/SEBI from time-to-time and retain the same till directed by the Stock Exchange(s)/SEBI for such release.

Exposure margin of security under Market Wide Position Limits (MWPL)

- In the joint meeting of Exchanges, Clearing Corporations and SEBI it has been decided on 23.01.2018 that markets should be alerted at different levels of MWPL utilization so that investors can take an informed decision on whether to hold or square off their existing positions well before regulatory /surveillance actions sets in.

Combined MWPL utilization at End of Day across Exchanges	Applicable Exposure margin of the security
60%	No additional Margins
70% to less than 75%	To be increased by 50% of the normal applicable Exposure margin from next trading day
75% to less than 80%	To be increased by 100% of the normal applicable Exposure margin from next trading day
80% to less than 85%	To be increased by 150% of the normal applicable Exposure margin from next trading day
85% to less than 90%	To be increased by 200% of the normal applicable Exposure margin from next trading day
90% to less than 95%	To be increased by 300% of the normal applicable Exposure margin from next trading day

- Alert shall be provided once the open interest in a security exceeds each level of MWPL limit as mentioned above. The change in exposure margin shall be applicable from the next trading day and shall be applicable till the open interest in the security reduces to below 70% of MWPL at end of the day.
- The mechanism enshrined in 18.1 was reviewed in a joint meeting between Exchanges/Clearing Corporations and SEBI and it has been decided that, in Equity derivatives segment, additional exposure margins shall be levied on that scrip's wherein the top 10 clients are accounting for more than 20% of MWPL. The scrips shall be identified under this framework based on 3 months rolling data and reviewed on monthly basis. The applicable additional exposure margin on the identified scrip shall be at the rate of 15% over and above the applicable Exposure margin, including those based on MWPL utilization.
- In view of the principles enshrined at third, the Exchange shall w.e.f 14.09.2018 discontinue levying the additional exposure margin on security under MWPL.
- However, the Exchange/Clearing Corporation shall if required, impose stringent additional surveillance margins, as deemed necessary; in cases where open interest exceeds 70% MWPL utilization or where significant client concentration is observed.

Reporting to the Regulatory Bodies/ Exchange(s)

In case the client is found indulging in suspicious activities, THE COMPANY may report such transactions to the exchange(s). THE COMPANY shall not be responsible for any losses incurred by the client if he/she is found guilty of

unethical practices in contravention to the Rules and Regulations laid by the Extant Regulators. The company will share all the required information to the Regulator(s), Exchanges), and/or any other Extant Regulatory body when a client specific details is asked for. The company reserves the right to inform the client based on the directions received by the fore mentioned Regulatory body.

Record Maintenance

- The Compliance Officer shall be responsible for the record maintenance of such activities.
- The Compliance Officer shall be assisted by the Associate Compliance Officer & the RMS Officer and shall have the discretion to take assistance/help from any professionals and/or software for the better Monitoring of Risk Management Policy, with prior approval of the Board of Directors, without diluting the accountability and responsibility of the Compliance Officer.

Voluntary Freezing/Blocking and Unfreezing/Unblocking of Trading Accounts

- In accordance with SEBI Circular No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/4 dated January 12, 2024, and NSE Circular No. NSE/INSP/61529 dated April 08, 2024, we have implemented a policy to allow clients to voluntarily freeze/block and unfreeze/unblock their online trading accounts to protect against suspicious activities. Clients can request freezing/blocking via email, SMS, IVR/tele calling, Chatbot, App/Website, or any legally verifiable mechanism. The dedicated email for such requests is stoptrade@ortemsecurities.com. Upon receiving a request, we will verify its authenticity, acknowledge it, and freeze/block the account within 15 minutes during trading hours or before the next session if after hours. Clients will be notified of the action and given details of any open positions. To unfreeze/unblock, clients must request through the specified modes, and we will conduct due diligence before re-enabling access. This policy does not affect our Risk Management activities or mark the client's Unique Client Code (UCC) as closed. We will maintain records of all requests and actions. For clarifications, clients can contact our head offices or the help desk. This policy ensures a secure mechanism for protecting trading accounts and enhances trust in our services.

Communication

Clients can view details of their ledger, margin, shortfall etc. through the secured login on THE COMPANY website. The client has to be aware about their position, outstanding balance and Risk. THE COMPANY is under no legal obligation to send any separate communication apart from Contract Notes, Margin Statement, Shortfalls, Positions etc. but as a safeguard to the Clients, THE COMPANY may take extra efforts generally to ensure that client is well informed about the Risk and the possible actions, which may follow. The communication would generally be through SMS / Email on registered contact details with THE COMPANY and additionally to host reports through secured Back Office Access.

Disclaimer

THE COMPANY will have a discretion to alter/change any of Exposure limit, selling parameter defined in this policy on the basis of prevailing market conditions with or without prior intimation and can use their discretion to grant any kind of exemption/permission in case they deem fit on case to case basis. Further any guidelines Prescribed till Point no 21 and which has a similar reference to the new policy under Point no-22, then under such scenario the new Policy guidelines shall prevail.

For M/s. ORTEM SECURITIES LIMITED,

ORTEM SECURITIES LIMITED

Sanjay Agrawal

Wholetime Director / Director

Sanjay Agrawal
Director