

INTERNAL CONTROL - POLICY & PROCEDURES

The above mentioned Internal Control – Policy & Procedure has been approved by the Board of Directors in their meeting. All the employees are required to follow the same and take due care for its proper implementation.

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➤ **Introduction**

Dhanki Securities Private Limited (hereinafter referred to as DSPL or Dhanki) is a SEBI registered Stock Broker and to carry on its business as such, it is necessarily required to comply with various Acts, Rules, Regulations, Stock Exchange Bye-laws, and Circulars etc. that govern DSPL's conduct of business. DSPL has laid down certain procedures to ensure that its various business activities are conducted not only in conformity with the various regulatory requirements but also in a professional manner. All staff shall ensure adherence to these procedures governing their respective part of DSPL's business activities while discharging their duties.

Staff shall also ensure that if they observe any breach/possible breach of any of the procedures, they must immediately bring it to the notice of their head of department or Compliance Department.

➤ **Internal Control Procedures Relating to DSPL's Business Activities**

The internal control procedures relating the various business areas of D SPL are given hereunder:

a) **Client On-boarding and Registration**

- The prospective clients are added only after references and have a meeting with the directors / employees / remisers of the company.
- Know your client form duly complying with the KYC requirements as specified by SEBI & Exchange/s are processed further on receipt alongwith the requisite documents like proof of identity, proof of residence, proof of bank account, KRA form, etc. from the clients.
- In-person of the client is done by the Employees / director of the company and a proof of the same is maintained by signing on the proof of KYC document.
- Original documents are verified with the various photocopies submitted by the client
- The registration department checks for the KRA details and gets the same fetched from the KRA website or alternatively will do formalities for uploading the KRA details within the prescribed time limit.
- The registration department checks for the CKYC details and gets the same fetched from the CERSAI website or alternatively will do formalities for uploading the CKYC details within the prescribed time limit.
- Walk-in clients are not entertained and only clients through reference are enrolled.
- The company has the policy of approval of all application forms by the Directors/Compliance Officer of the company before allowing trading to applicant
- The details are entered in the back office software by the maker of the document. Further a senior person acts like a checker to see that the details have been properly entered in the back office software to avoid any issue in future.

For DHANKI SECURITIES PVT. LTD.



Compliance Officer



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- The financial capability of the client is assessed on the basis of the balance sheet, profit and loss, income tax return, wealth details, etc which shows the financial position. Last 2 years' balance sheet is taken from corporate clients. From the individual clients copy of IT Return is insisted or a declaration about their financial earnings &/or net-worth is taken on the basis of the management's level of comfort with such client.
- The clients are apprised about the risk disclosure document and are made aware of the contents therein regarding the risk associated with the securities market.
- A copy of the Client Registration Documents (CRD) are given to the new clients at the time of registration. The UCC & complete set of registration documents are physically provided to the clients and a welcome letter informing them about their UCC.
- The client registration modalities are carried out in house and not outsourced.
- On the Basis of Risk profile of Client, which is done by Management/Sales Traders/ Dealers, Client is given limit for trading.
- All the formalities relating to client identification & verification are done in accordance with the Customer Due Diligence Process described under the DSPL PMLA Policy.
- The documents with respect to the registration of the client should be maintained at the office and arranged sequentially as per the UCC code provided to the client and the same should be stored in cabinets under the control and guidance of the Compliance Officer. The sequential numbering and maintaining of the KYC at the office would make retrieval of client registration document fast & easy as and when required.
- UCC are uploaded to the exchanges before starting of trading for the client.

b) Funds

- Any money received or held on behalf of clients, is to be kept in a separate bank account titled "Client Account". Funds lying in this account cannot be utilized for any purpose other than for meeting clients' obligations.
- Some of the clients have given consent to the company to maintain their running accounts so as to avoid the trouble of receiving/paying funds on a daily basis.
- We at the time Monthly/Quarterly Settlement as per the client preference if there is any liability of the company arise to release the fund then it will release funds only through RTGS/NEFT in normal circumstances.
- With reference to exchanges circular with related to running account settlement we are not investing the actual settlement amount (Monthly / Quarterly) of the clients with the consent/without consent of the client / through POA in any scheme or investment products including mutual funds, Exchange traded funds such as liquid bees etc. And we credit the settlement amount (Monthly/Quarterly) to the client bank account directly and not run any schemes to invest the actual settlement amount (Monthly / Quarterly) with the consent/without consent of the client / through POA in any scheme or investment products.
- As per SEBI Circular CIR/HO/MIRSD/DOP/CIR/P/2019/139 dated November 19, 2019 wherein SEBI has mandated the collection & reporting of margins from clients in capital market segment. In view of the same it is clarified that apart from the retention of 125% of the margin liability in derivative segment as on the date of settlement, We may additionally retain the margin liability in Capital market segment as on the date of settlement and additional margin (up to 125% of the margin requirement as on the date of settlement)
- The company collects and releases funds through banking channels i.e. Account Payee Cheques or RTGS only. (Ref. CIR/MIRSD/03/2011 dated 9/06/2011)
 1. Proper audit trail should be maintained while receiving funds from the clients. The company does not accept any Pre-funded instruments, however in case if required to collect such pre-funded instrument then the company will collect information to maintain



details like the name of the Client, the Bank Account number, Certification through the collection of the following documents/supporting as required to be accompanied along with the receipt voucher after proper due diligence:

- A certificate from the issuing bank on its letterhead or on plain paper with the seal of the issuing bank
 - A certified copy of the requisition slip (a portion of which is retained by the bank) to issue the instrument
 - A certified copy of the passbook/bank statement for the account debited to issue the instrument.
 - Authentication of the bank account debited and the name of the account holder by the issuing bank on the reverse of the instrument
- The Accounts Team coordinates with settlement team regarding pay-in of securities by clients and then releases the pay-out cheques to the client. In case of any shortage, the amount is released after partly withholding the pay-out fund.
 - In case of pay-in, the cheques are collected on or before pay-in date of particular settlement & on receipt of cheques it is verified that the cheques are from client's designated Bank Account only and no third party payment is accepted.
 - In case of pay-out, after verifying that there is no short pay-in of shares, the company will release the payments of the clients either by electronic fund transfer or by issue of cheques. The cheques are either hand delivered or by courier to the client's correspondence address.
 - In case of own trading pay-in/pay-out funds are arranged through own funds.
 - Company is not doing any fund based activities such as funding to clients except where client fails to meet his pay-in obligation.
 - In case of non-receipt of funds for a long time, follow up by the accounts team is done.

c) Collection & Maintenance of Margins

- The company transacts on behalf of clients in Cash segment & F&O segment. With respect to the collection of margin in cash segment, the company now mandatorily collect margin with effect from 1st January, 2020 as per exchanges circulars. However, all efforts are made to see that none of the cash segment transaction leads to any loss for the organization. The Risk Management Team/Management collect upfront margin (VaR margins and Extreme loss Margin (ELM)) on T day & M2M on T+2 day before execution of the trades.
- No transaction is executed for clients until the Initial Margin(VAR + ELM) has been collected from the clients.
- Shares received from clients as Margin are kept in a separate (Client Margin Demat Account).
- The Company daily uploads the span margin file to the exchange.
- The Upfront margin can be collected in below mention forms
 - Consolidated fund balance across exchange,
 - Cheques, bank credits, fixed deposit, bank guarantee, Mutual Fund Units, Government securities / T Bills and list of securities which are actively traded on National exchange, and not declare as illiquid Securities by such exchange. Securities that will be taken, haircut will be applied on the basis of VAR or as may be required by the exchange.
 - Securities, which are provided as margin, but are sold in the cash market can be considered up-to T+1 day from the date of sale without any haircut.
- M2M can be collected through Cheques received / recorded in the books of Member on or before T+1 day and deposited by member by T+2 day (excluding bank holiday, if any), can be considered, provided the same is cleared within T+5 working days.



- The option of reporting the margin can be done upto T+5 days, however the back office department is authorized to do the uploading from T+1 day itself on the basis of the valuation of the total margin lying to the credit of the ledger (Across all exchange) plus the value of the other margin securities provided by the client. In case any corrections are required in the file due to dishonor of any client cheque, etc then the new file will be uploaded after due consultation and permission of the seniors and the last file uploaded will be considered to be the final file
- The margin file uploaded is checked and then only uploaded to the exchange
- In case where the margin requirements is more than necessary margins are collected in any of the following form the clients (1) Early Pay-in of Shares, (2) Collection of Cheques on T/T+1 day, (3) Collection of funds and/or securities as Margin.
- Any Penalty paid by the company to the exchange due to shortfall of margin of any client, will be recovered from the client by debiting the client's ledger through a JV and intimating the client by providing a copy of JV (manually or electronically), as a proof for the penalty charged to their account. which will effect from 1st April, 2020 as per exchanges circulars.
- With respect to collection and maintenance of margins in the F&O segment the same is as detailed below:

▪ **F & O Margins**

- No transaction is executed for clients until the Initial Margin has been collected from them. Funds or shares are received from the clients as Margin.
- Shares received from clients as Margin are kept in a separate 'Client Margin Demat Account'.
- The Company daily uploads the span margin file to the Exchange.
- The clients are regularly sent the collateral margin report updating them on their margin requirement and the margin given by them to the organization and the surplus/shortfall in the margin, so that effective steps can be taken by the clients on the same.
- Any Penalty paid by the company to the exchange due to shortfall of margin of any client, will be recovered from the client by debiting the client's ledger through a JV and intimating the client by providing a copy of JV (manually or electronically), as a proof for the penalty charged to their account.
- The option of reporting the margin can be done upto T+5 days, however the back office department is authorized to do the uploading from T+1 day itself on the basis of the valuation of the total margin lying to the credit of the ledger (Across exchange) plus the value of the other margin securities provided by the client. In case any corrections are required in the file due to dishonor of any client cheque, etc then the new file will be uploaded after due consultation and permission of the seniors and the last file uploaded will be considered to be the final file.
- The margin file uploaded is checked and then only uploaded to the exchange.
- The margin can be collected in through cheques, bank credits, fixed deposit, bank guarantee, Mutual Fund Units, Government securities / T Bills and approved list of securities. With respect to the securities that will be taken, haircut will be applied on the basis of VAR or as may be required by the exchange.
- The margins are to be collected from all the clients in the F&O as well as Cash segment, "Securities kept in "Unpaid securities account" can be considered towards reporting of client's margin obligation in the derivative segment after adjusting any debit balances in such client ledger, across all segments and Exchanges as per circular

dated 27th Sept, 2019 NSE/INSP/42229 & BSE circular no. 20190927-39. & we have accepted securities as margin obligation from clients only by way of margin pledge/repledge in the depository system by opening a separate demat account for accepting margin pledge which shall be tagged as "Client Securities Margin Pledge account". in accordance with SEBI circular no. SEBI/HO/MIRSD/DOP/CIR/P/2020/28 dated February 25, 2020

- The company has a system where the stocks not approved by the exchange will not be considered in collaterals calculation, however the company may retain the same for extra security.

d) Payment of Dividend:

- On receipt of client dividend, the actual beneficial owner are identified and after proper reconciliation the Dividend amount is paid to the clients within due date.
- Own dividends are credited to our own separate Bank Account.

e) Order Receipt and Execution

- The Institution orders are received via Bloomberg, Omnesys Fix Hotlines, Telephones, Fax, or by email and with respect to non-institutional trades, the same are received over phone, personal instructions when they are in the office. The organization does have a telephone recording system for recording of the call conversations at registered office.
- All the orders are received from the client are personally known to management/Employees/Dealers, who are well aware of the risk appetite of the client.
- Dealers have to be careful for authenticity of clients placing the order for their trades
- The company has restricted the access to the dealing office only to the authorized persons who are dealers/Management of the company.
- On execution of valid order into exchange system, dealers give trade confirmation to respective clients.
- The organization is using Voice Recording System and has a policy of taking back-up and storing.
- Orders are accepted by our dealer from authorized persons only.
- Without checking client UCC and KYC details no orders are placed for execution.

f) Sending Contract Notes, Daily Margin statement, Quarterly Statement of Accounts & Annual Global Statement to clients

- All Institutional contracts are sent through STP
- The processing and issue of contract note is centralized at the registered office, Mumbai
- Auto numbering of the contract notes is done through the system and the contract note is initiated to 1 (first contract note) every year on 01st April.
- To send contract notes and daily margin for both Cash & F&O Segment statements on T day of execution of the trade physically to all the clients. The quarterly statements are also sent physically to all the clients.
- Annual Global Statement send to the clients within 30 days after the end of the every financial year in physical/electronically.



- The documents physically sent by courier and proof of dispatch (POD) which is maintained. In case of hand delivery, acknowledged copies of the documents are to be maintained.
- Duplicate copies of contract notes are properly filed and kept
- Statement of Accounts' for funds, securities/commodities in respect of each of its clients on weekly basis as per exchanges circulars from week ending 6th March 2021 within respecting timeline.

g) Securities:

- Client Securities are to be segregated from DSPL's own securities. Client securities are not to be appropriated to meet DSPL's own obligations.
- In case of sale of shares, deliveries are received from the clients in the pool accounts intimated to the clients on T day/T+1 / T+2 Day & the demat account is automatically reconciled through Back office software Master by importing depository transaction files.
- In case of Pay-out of shares, after verifying that all the due funds are received, shares are transferred to respective clients on Pay-out date
- The company reconciles its pool, principle, and CUSA (Clients unpaid securities account) account on a daily basis.
- If the clients have a debit balance and have purchase any shares then same will be moved from Pool account to CUSA account, and in the event of non-payment such securities will be disposed-off within 5 trading day from the date of payout in proportion to the amount not received and after taking into account any amount lying to the credit of the client. The balance securities shall be transferred to the respective client's demat account.
- The company has received authority from clients to maintain their running account to avoid any trouble of receiving/paying securities on daily basis. Proper record for securities held of clients is maintained.
- All the shares lying in the Client Margin Collateral Account are segregated segment-wise & client-wise through Back Office Software & record of the same is maintained in Back Office Software.
- Proper segregation to be maintained by Back office Software for own shares & clients' shares.

h) Statement of Funds & Securities:

- The Company sends physically the statement of funds & securities as per the option selected by the client and the POD for the same is maintained.

j) Closure of Client accounts/ Dormant accounts

- As a company policy, clients account once opened are not closed normally, although the client may not trade at all over a long period of time.
- Any client desiring to close account is required to inform in writing and the decision is taken by the management. After necessary approval from the management, the client code is deactivated. Only after scrutinizing the compliance requirements and "no pending queries" confirmation is taken for securities and funds.
- Clients who voluntarily close business, the UCC allotted to them is not reissued to others.
- In case of an order received from a dormant account, execution of transaction is carried out only after updated financial information & other details are received before activation of UCC code.



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- k) **Brokerage on Transactions:** Maximum brokerage should be 2.5% of the Contract Value. The brokerage may vary for delivery, non-delivery transaction & also for various different segments.
- l) **Compliance Function**
- The role of Compliance officer is to formulate compliance policy as per SEBI, Exchanges and Other Regulatory Authorities for the Company and to implement and monitor the same.
 - The compliance Officer is responsible for submissions of all documents to SEBI, Exchanges and other Regulatory Authorities.
- m) **Business Continuity Planning / Disaster Management Plan**
- For front-office operations, the Company has provided power backup to all dealing terminals so as to mitigate the risk of power supply interruption. The front office has connectivity to exchanges via leased lines. The company has offices in Nariman Point & Rotunda for BCP in case of any concern at Registered Andheri office.
 - For back-office operations, the Company takes daily backup of the records into hard disk of Server. Apart from internal backup, the Company also takes weekly backup on external hard-disk and keeps copy of it externally in a remote place for safe custody.
 - The backups are regularly tested to see their usability in case of any disaster.
- n) **Investor Grievances Redressal Mechanism:**
- The register of complaints is centrally maintained under the observation and control of the director/Compliance Officer.
 - The e-mail id for redressal of investor grievances is informed to the clients by the quarterly statements sent and even on the website of the organization. The same is also printed with telephone numbers on Contract Notes, Client Registration Form Kit.
 - Designated email ID compliance@dhankisecurities.com of Compliance Officer.
 - We also maintain the Complaint Register Book to record date of receipt of nature of complaint from our client and the action taken to resolve the same. Intimation to the client and updating to the exchange, as required.
 - The instruction has been given to the branch manager to see that all the complaints received at their location are sent to the compliance officer on the same day or the next day.



For DHANKI SECURITIES PVT. LTD.

Compliance Officer

Branch Offices: