

## **Policy for internal review of business for compliance maintained**

MSBPL Compliance Department is interact and/or share functions with a variety of different control areas within a firm, including the Legal Department, Internal Audit and Risk Management.

Further, a Compliance Department is operate in a centralized manner, across functional lines or across business units.

MSBPL Compliance Department is a control function, and Compliance Department personnel generally do not, and should not, report to revenue-generating business units.

MSBPL Compliance staff is individual business units, Compliance staff is remain part of the Compliance Department to retain independence from those units. MSBPL Compliance Department is maintain close ties to senior management, who are accountable for a firm's overall compliance efforts.

MSBPL Compliance Department is personnel dedicated to a control room or to anti-money laundering surveillance.

MSBPL Compliance Department personnel is provide regulatory and compliance advice to business and control units on an ongoing basis. And more often placed on trading floors for physically located.

MSBPL Compliance Department personnel adjacent to, business units, both to monitor daily business activities and also to address and advise on issues in real time. along with other control areas, may be consulted by supervisory personnel and may advise business units on transactions prior to execution.

MSBPL Compliance Department is involved in the development of new products and services by providing advice on relevant laws and exchanges regulations.

MSBPL Compliance Department is assist in identifying and addressing conflicts of interest and coordinating adherence to the varying legal requirements.

More MSBPL Compliance Department regularly updated and implemented SEBI and Exchanges rules regulations, and circulars.

## PROCEDURE

### I) Client Registration

- Are you maintaining client registration documents dully filled in the prescribed format from all the clients?

**Yes, we are maintaining dully-filled client registration documents in prescribed format.**

- Do you entertain walk in clients? If yes, what are risk mitigation measures taken in dealings with such client

**Yes. Initially we require ready reference from the clients either of sub broker or Branch Head or of existing clients, after getting the reference we provide KYC for registration of client.**

- How do you assess financial capability of the client? What are the documents you insist?

**For the individual clients, we normally assess the financial capability from the Income Tax return if any provided by the clients.**

**For the HNI clients, we are going through Income Tax return or Annual Accounts if any provided by the HNI.**

**For the corporate & Partnership firm we require Annual Account and Income Tax return for assessing financial capability.**

- Do you outsource client registration modalities?

**No. We never outsource any client registration modalities.**

- Process of record keeping and retrieval of client registration documents

**We have exclusive premises for the record keeping. This premise is not accessible except the KYC department & directors. There is two-security lock in this storage. Also one security camera is working for all 24\*7 time for the surveillance.**

**Further we have allocated two people who are maintaining KYC storage at all the time. They are very used to with storage and can fetch the KYC whichever is need at any time.**

- Process of updating of client financials and other particulars

**We send client financial and other details updating form and it will be submit by client to us.**

- Do you have make checker concept to avoid misuse by filling up data on the unfilled areas viz. segment, space provided for giving e-mail id, etc.?

**We have system to avoid misuse for the unused space for filling up date.**

- Process of updating of client particulars viz. address, e-mail id, contact details, etc.

**We are constantly instructing client to provide proof if any change in address, contact details or e-mail id immediately with the effect.**

**From this 2009-10 onward we send the client financial and other details updation form for the above compliance.**

- Process of In-person Verification?

**Client who supposed to register with us who must appear before our employee whether in branch or in head office and put his/ her signature on the first page on their photograph. So by this way we can avail signature as well as personal verification.**

- Process of sending of duly executed client registration documents to clients.

**After complying all the formalities of KYC documents and dully executed KYC, Member Client Agreement (Tripartite Agreement if require), RDD & Investor rights, any other document signed by client which is to be sent to the respective clients at their address and POD of the same have been kept.**

- Detailed process of client registration?

- To avail dully filled up KYC from the clients
- To avail original documents for verification with attested copy of the document as per the requirement of KYC at the time of opening of account.
- PAN is verified on the Income Tax's official web site.
- Copy of the documents is verified with the original documents.
- KYC official do the In person verification of proposed client. Also KYC official avail financial details of proposed client.
- After putting stamp and signature by the KYC officials, KYC along with proof and documents send to the higher authority for the verification and signing purpose.
- After the verifying the KYC and proof/ documents, higher authority put the signature in KYC and sends the form to KYC department to open the form.
- KYC department open the client account in back office.
- KYC department map the client code no. in the back office for the brokerage pattern.
- Further KYC department upload the details on the UCC.
- After receiving the confirmation from Exchange UCC software, client account is activate for the trading.
- After that KYC official send the dully-executed documents by client and KYC (as per uniform documentary requirement) along with Trading Client Master to the clients.

- Systems and processes adopted for UCC Upload?

**TM uploads the UCC details on the back office software. After the uploading the same, back office software generate the output files, which can upload directly on the Exchange UCC upload facility. After receiving the acknowledgement from the exchange UCC facility we also upload acknowledgment files on back office software.**

- Do you have a separate marketing division? Have you specified any norms to such division?

**No. We do not have any separate or combined marketing division.**

- Have you launched any promotional schemes?

**No we have never launched any promotional schemes.**

- Whether you make the client aware of the risk associated?

**Yes now a day Indian security/ capital market is matured. All the clients are well aware with risk associated with primary as well as secondary market. Also we have put the risk management link on the official website of TM and in KYC we specifically show the risk perception (RDD) while carry out the trading.**

- Do you offer freebies like free demat a/c, etc.?

**No we are not offering any freebies.**

## **II) CLOSURE OF CLIENT ACCOUNTS/DORMANT ACCOUNT**

- What type of documentation (both inward and outward) you undertake for closure of account?

**As Company has specific format for the closure of the client account. After duly filling up the forms, Client submits the form for the closure of the client account. And after verifying the details, KYC department closes the client account in back office.**

**If any clients, who don't execute the single, trade for six month since his last trade executed, KYC department put this account in dormant position.**

- Incase of dormant account (six month), what extra caution you take before execution of trade in such account?

**KYC department, call upon the client who would like to execution of trade after account is in dormant position. After getting sufficient conversation and verbal request, we activate that account for the execution of trade.**

- Transfer of client from one branch to another – Procedure adopted

**Client gives the request to sift from one office to another branch which ever is near to them or carry over trade at Head office.**

- In case of very old dormant a/c (2 months old), what is the procedure adopted in such cases?

**We obtain the fresh documents as in the case of dormant account held for the 2 year. After verifying the proof KYC department executes the activation of this client account in normal account.**

### **III) ORDER RECEIPT AND EXECUTION**

- Do you have telephone recording system for receipt of orders? If yes, specify period for which such records are maintained?

**YES.**

- Do you have a system of trade confirmation?

**Yes. We give trade confirmation via telecom.**

- Do you exercise discretionary powers to execute client orders?

**No.**

### **IV) SENDING CONTRACT NOTES, DAILY MARGIN STATEMENT, QUARTERLY STATEMENT OF ACCOUNTS TO CLIENTS**

- Practice followed for sending contract notes for trades executed at branches

**Yes, contract notes and ECN both are sending to clients regularly.**

- Have you outsourced sending the above-said documents? If yes, what are the controls to ensure the timeliness of the same as per required regulations controls to prevent unauthorized modification of data?

**No**

- Mode of sending the documents

**Branch-to-Branch delivery by our own personal. And for the outstation it is dispatched through courier.**

- Timing of sending the documents

**8 p.m. on the T day.**

- Documentation of having dispatched/ delivered the documents

**We keep the sending log report of the ECN, Daily margin statement and quarterly statement on the regular basis and we keep the past data on the DAT media. This is kept at the remote site.**

- Duplicate copies whether maintained or not.

**Log reports of sending the ECN maintain.**

- In case documents are sent through e-mail, whether log maintained for sending?

**Yes. We are maintaining the log for sending document in soft copy.**

- If you are sending these documents via email, whether you are sending at the email id given by the client or you have created yourself email id for the clients and sending the same to clients

**Normally we send the document on e-mail created by client. But if client don't have e-mail id or not in position to provide e-mail id, Official coordinate to clients to create the e-mail id on behalf of client after taking sufficient undertaking from client in KYC and intimate the same. Further we send documents as per the required by exchange on same e-mail id, which is designated e-mail id of client.**

- What is the process adopted in case client wants to change his email address that was earlier provided to you?

**Any intimation received whether in written or through e-mail from client about change in e-mail id, then we process that request and change the e-mail id.**

## **V) RISK MANAGEMENT**

- Policy of collection of pay in, margin, limits setting for exposures & turnover for clients, terminals, branches & sub-broker level

**We are collecting pay in directly from the clients. Our policy for the collection is of client level gross level collection. We are not set off the position against any credit or debit of sub broker.**

- Monitoring of debit balances

**We have recruited the personal that verify the debit of the client at end of the day and collect the debit amount immediately from the clients.**

- Periodicity of such monitoring

**Every day after the closure of market.**

- Whether TM has a system of periodic reconciliation wherein client has expressly accepted the balance confirmation?

**Yes we have system of monthly reconciliation wherein client has expressly accepted the balance information.**

- Steps taken for recovery of old debts

**We are regularly collecting the dues from the client for the margin or for other due for position. We never do the business without margin. If client is not give the payment with in time frame we will either square off the position.**

- Do you charge penal interest for long outstanding debts?

**We are not charging penal interest for long outstanding debts.**

- Mechanism of pay-in and pay-out of funds and securities

**We do directly pay-in and payout of the fund and securities from the clients. If client maintains his/her account on running account basis, we collect the pay-in as the requirement. If client does not maintain his/her account on running account basis, pay-in is to be collected on same day (T day) from the clients.**

**Further we make pay out to the client on the T+2 basis. And we pay fund directly to the client.**

- Payment, Receipt of funds from / to clients

**We collect payment of client fund from its designated banks only. Also we collect the securities of clients from its designated demat accounts only.**

**Further we pay the funds directly to the clients and securities to client at his/her designated demat account, as per his/her demand if any.**

- Policy of square off of positions

**We do give the sufficient time to client for making payment of margin due/ payment due. After that if the client does not give the payment, we make the final reminder to the client to square off the positions. Though client doesn't give the payment then we square of the positions of the clients. After that we make the necessary intimation to the client about liquidation of the position.**

- Risk Management Policy

**Attached as required**

- Internal control Policy

**Attached as required**

## **VI) LIQUIDATION OF CLIENT POSITION**

- Whether clients were informed that its position would be squared off incase of margin/ pay-in default? What is the mode of communication? Whether such communication is detailing the exact situations wherein such measures of squaring off shall be undertaken by the member

**Yes, clients were informed vide in member client agreement (in KYC) informing to client about squared off its position incase of margin/ pay-in default.**

- In case of square – offs, what is the procedure adopted to give reasonable opportunity to the client to bring required margin. Mode of such intimation

**We do give the sufficient time to the client to make payment of margin due. After that if the client does not give the payment, we make the final reminder to the client to square off the positions. Though client doesn't give the payment then we square of the positions of the clients. After that we make the necessary intimation to the client about liquidation of position.**

**We made communication via telecom.**

- Whether authorization of clients taken to square off client position incase of margin/ pay-in default?

**Yes authorization has taken from the clients in KYC for the square off client position in case of margin/ pay in default.**

- Do you maintain records for margin calls made?

**No. We are not maintained.**

## **VII) POLICY OF INTERNAL SHORTAGE**

- Detailed policy of Internal Shortages? In case it is different from exchange policy, take reasoning

**If there is any internal shortage is occurred. The rate of the auction is to be fixed after consider net position of purchasing client and buying client. And Auction rate is fixed upon the closing rate of T + 3 days and charged on the seller client.**

## **VIII) TRANSFER OF TRADES**

**There is no any single transfer of trades during the inspection**

- Monitoring mechanism in place to review such transfer of trade

**In back office software, we have system to identify the transfer of any trade. But TM has not any single instances till the date.**

- Steps taken to find out reason for such transfer

**No instances**

- Steps taken to avoid such Instances of errors

**No instances**



## **IX) INVESTOR REDRESSAL MECHANISM**

- Whether register of complaints is centrally maintained or maintained branch-wise?

**Register of complaints maintained centrally.**

- Whether clients were informed about the e-mail for redressal of investor grievances?  
Mode of informing the clients

**Yes, clients are being informed by put the e-mail id for the redressal on web site of MSBPL.**

**Also e-mail id is put on the notice board located at the Registered Office.**

- Whether investor complaints as figuring out as per the Exchange records are recorded in the Register of complaints?

**Yes complaint has been recorded as per exchange record.**

- Whether all the complaints either received by way of letter, telephonic call, personal representation, e-mail, etc are recorded in the Register of Complaints?

**Yes. All the complaints received by any medium mentioned above are recorded in Register of Complaints.**

- Who monitors the pending investor complaints and redressal?

**Compliance officer & Designated Director monitor pending investor complaints and redressal.**

- Whether any escalation mechanism is prevalent for redressal of long pending investor complaints?

**Yes.**

- Whether analysis of type of complaints, originating branch location of complaints is made to find out lapses/ frauds etc.

**Not yet commensurate.**

- Whether any system is in place to get client feedback on matters like receipt of contract notes, trade confirmation, SOA, Margin statement, etc.?

**Yes. We are randomly select the client and make telecom for getting confirmation of client for receipt of contract note, trade confirmation, SOA, Margin statement with in time.**

- What are the monitoring and control mechanism in place to ensure that cash, cheque and demand drafts received from clients at branches are properly accounted in the respective client ledger?

**We have never dealing in cash. Further we accept only cheque from client at the branches and properly account in respective client ledger only.**

- In case the TM is maintaining more than one back office software for maintaining client level information, check for the reasons or benefits. Compare the client master of all back office software to ensure that no different records with an intention to defraud investors are maintained

**We are maintaining only single back office software for the maintaining client level information.**

- Is there any mechanism in place to verify the authenticity of transactions carried out in dormant accounts (not being operated in last six months)?

**Yes, we require official communication whether in face-to-face communication (including telecom conversation) or in written to activate the client account.**

- Whether TM's employees at HO and branches are exercising POA to operate client's bank and demat accounts? If yes, what are the Internal controls adopted by trading member to ensure that POA is not misutilized.

**No TM's employees at branches are not exercising POA to operate client's bank and demat accounts.**

**But at HO TM's employee are exercising POA to operate client's demat accounts for the Pay in obligation only.**

- Whether there is concentration of complaints at any specific branch? Steps taken for resolution of complaints. Address of the specific branch may be obtained. In case found necessary; branch may be inspected as LPI.

**No, still the date there is no any instances to need concentration of complaints at any specific branches.**

#### **X) ALLOTMENT /SURRENDER OF TRADING TERMINALS, OPENING & CLOSING OF BRANCHES**

- Limit setting, in case of allotment of new terminals

**Yes. For every new terminals, trading limit is being set and also for the margin requirement.**

- Mapping of clients to other terminals in case of surrender of terminals

**There is no any instance for the multi clientele base branch for the closure. But we issue the intimation letter to all such client to trade in another nearest and suitable branch of trade at HO.**

- Submission of information to the Exchange

**Yes we submit the prior information to the Exchange regarding allotment & surrender of trading terminals.**

- What are the controls adopted by the member to ensure that software used at the member branch offices and sub-broker offices are from the approved vendors

**We collect the required exam certificate from the user and we verify that user is well experience and used to with the software.**

- What are the control mechanisms in place to ensure that the terminals at branches / sub-broker offices are not used for unauthorized / illegal purposes? Whether TM was acting on alerts like a) insignificant number of clients registered at a particular location but having a large no. of transactions, b) very low volume despite being operating for long time making branch operations unprofitable, etc.

**Initially before opening of branch office, our authorized person personally visits proposed branch office that verifies all the details. We collect the branch control sheet for every branch.**

**Yes we verify the details of the clients and their turnover during the month.**

**Also we will not continue the office, which is not profitable. So if branch office is running with cost-to-cost basis or unprofitable, then we preferred to close that branch.**

- What is the procedure adopted for opening & closing of branches?

**After processing and completion of all documental work, our authorized person visits the proposed branch office for the personal verification. They collect the sufficient information for the feasibility of the branch. Then after we avail branch control sheet of that particular branch. After proper viability of particular branch, we upload the data for the CTCL id on the ENIT for prior approval. After receiving the confirmation from the exchange, we allot the id to Branch office.**

- In case of closure of branches, how and when do you communicate existing clients?

**We communicate to the exiting client well in advance that from so and so date the branch will be closure and give the alternative nearest and suitable branch to carry over trading or they can carry over trading at HO also.**

- Do have a checklist/ manual, which list down the steps followed for opening and closing?

**We are following suitable procedure for the opening and closure of the Branch/ Sub broker offices.**

- Steps taken for surrender of sub-broker registration certificate to prevent misuse

**We collect the original certificate from the sub broker at the time to closure of sub broker office and applied for the cancellation of sub broker in the exchange.**

## XI) **BRANCH /SUB-BROKER, AUDITS**

- Check whether member has system of conducting branch inspection. If yes, what are the areas covered in such inspections. Incase area covered does not include following, then advise the TM

### Areas to be verified during such inspection and to be covered in the inspection report

- Mechanism of pay-in and pay-out of funds and securities

**As prescribed above in procedure.**

- Issue of Statement of Accounts, incase not sent directly from the main office

**Statements of Accounts are issued from the main office only.**

- Cash dealings with clients

**Never do cash dealing with clients.**

- Issue of Contract notes, incase not sent directly from the main office

**Contract note directly issued from Head office (main office).**

- Upload of CTCL terminals

**CTCL terminal details are pre requisitely upload on ENIT and prior permission will be availed.**

- Shifting of NEAT terminals

**No case of shifting of NEAT terminals.**

- Check whether any illegal or unauthorized activity is being carried out at the said location

**There is no any illegal or unauthorized activity is being carried out any location of TM.**

- Operation of trading terminals

**Only authorized person operates trading terminals.**

- Whether advertisement code of the Exchange is violated

**Not any single instance made regarding the violation of advertisement code.**

- Display of Notice Board and SEBI registration certificate

**SEBI registration certificates have been displayed (Incase of Branch-SEBI reg. of TM should be displayed.**

- Whether there is an Internal Audit system that commensurate with the nature, scope, size of business operations?

**Internal Audit system has not been commensurate.**

- Whether the irregularities and recommendations/ suggestions pointed out in Internal Audit reports are placed before Audit Committee / Board?

**N.A.**

- What is the frequency of follow ups done for implementation of recommendations/ suggestion set out in the Internal Audit reports?

**N.A.**

## **XII) PMLA**

- Whether all the important provisions are included and implemented?

**Yes, all the important provisions are included and implemented.**

- Process to regularly review the policies and procedures on money laundering to ensure its effectiveness. In order to ensure this, whether the person doing the review is different from one who has framed such policy?

**Yes, we access and review policies and procedure adopted for PMLA at the regular interval. TM's legal team has incorporated policy for the PMLA. Now compliance officer of the TM is accessing and reviewing the PMLA policy.**

- Process of obtaining sufficient information in order to identify persons who beneficially own or control securities account?

**As procedure prescribed in PMLA procedure.**

- How u ascertain that no account is opened in a fictitious /benami name?

**Due to the requirement of in person verification, we verify the person at face to face whether at HO or at Branch office and also obtain signature in presence of our employee.**

**Further PAN of constitute has been verified in IT website before opening of client account.**

- Details of documentation requirement and other information to be collected in respect of different classes of clients depending upon perceived risk?

**We have categorized person at his/her risk perception criteria based on entity, income status, and liquidity status, No. of Trades during day or week or month, payment status etc.**

- How do you ensure that no account is opened where the intermediary is unable to apply appropriate clients due diligence measures/KYC Policies?

**We have KYC's internal control system which unable to open client account without due diligence**

- What are the necessary checks & balances to ensure that no client is enrolled who is having criminal background or is banned in any other manner.

**We comply with the banned entity circular of the exchange. We upload the details on our back office software. So this entity cannot carry over the trades in its existing account. And for the new client, from the banned entity criteria in back office, we don't open the account of such entity.**

**If we have any doubts or having any sensitive information about any client at the time of opening of account, then we access the state police website for person with criminal background or are banned in any other manner. And we restrict those personnel from opening client account.**

- Details of due diligence to be done for client of special category?

**Yes, we required the necessary document at the time of opening of client account in we found any sensitive information from the market or any other resources.**

- Details of systems in place to generate alerts based on set parameters for suspicious transactions

**We have system that if any dubious information availed off market for any person. Then we collect the information from that person.**

**Also if we found that any personal trading pattern will be unevenly changed which is not considered as per his/her past track record. Then we collect the information for that trading and also call the client personally for further clarification.**

- Process of scrutinizing the alerts to arrive at suspicious transactions

**Refer the Point No. 9 of PMLA policy**

- Process of reporting of suspicious transaction to FIU

**Refer the Point No. 11 of PMLA policy**

- Details of training provided to the staff members in AML & CFT

**Refer the Point No. 12 of PMLA policy**

- How you sensitize your customers about requirements of provisions emanating from AML and CFT framework

**As this is the requirement put by the government to fight against the Financial Terrorism, which is prime requisite for national interest and safety purpose of nation.**

**We initialize this framework at priority basis among the client, employee, and subbroker at our end. We are stepping up necessary initiative which ever is possible from our side as per the requirement of SEBI & Exchange.**

### **XIII) POWER OF ATTORNEY**

- Whether trading member has taken POA from any of its clients?

**Yes, TM has taken POA from Demat account client for only pay in obligation.**

- Details of clients for whom TM has taken POA

**Given at the time of inspection.**

- Whether POA provides an exclusive right or control to the TM Depository account & Bank account?

**We availed POA only pay in obligation right given to in POA.**

- Details of Internal Control adopted by the TM to ensure that POA is not misutilized.

**As we have strict system check in which no personal intervention can be done so that pay in of the client is not manipulated from the employee.**

- Whether POA is in the name of member or is it in the name of any of its employees or representatives or sub brokers?

**POA is in the name of TM only.**

**Note –**

**Provide complete details of procedure adopted. The appended document is not a comprehensive one. It just gives us the points, which should necessarily form part of the procedures.**

## **POLICY FOR SETTLEMENT**

**(Applicable for all exchange/segment)**

Quarterly Settlement policy:

- The Quarterly/Monthly shall be applicable to clients who have given a running account Authorization to Company.
- The settlement shall be done either Quarterly or Monthly depending on the option and the gap of between two running account settlements should not exceed 90 or 30 calendar days respectively selected by the client.
- The quarterly/monthly settlement of the client shall be done keeping as per exchanges rules of the current margin of the client and five days future expected margin as balance.
- Future Expected Margin shall be considered as the sebi guideline from time to time of highest margin applicable to the client in the current year for which settlement is being done.
- In case of inactive clients we have return the funds and securities which and when ever effective as exchange guide lines.
- In case there is a debit balance of the client in some other exchange, the quarterly/monthly settlement shall be done after covering any such debit balance in



the account of the client.

- The Settlement is no inter-client adjustments for the purpose of settlement of the 'running account'.
- The statement of the quarterly/monthly settlement shall be sent to the clients.
- Complete records of the quarterly/monthly settlement shall be maintained for all clients.

## Policy on Limit Setting

MSBPL shall have the prerogative to allow differential purchase limits and sell limits varying from client to client, depending upon credit worthiness, integrity and track record of each client.

MSBPL shall have the prerogative to determine and prescribe rules for exposure limits for trading in "CM", "F&O" and other products. The client cannot claim any minimum level of exposure, as a matter of right.

**Purchase Limit:** MSBPL may provide a exposure limit for intraday and delivery based purchases by a client which would be a multiple (varying between one to four times) of the clear ledger balance in the account of the client plus value of paid up collaterals computed after appropriate haircut. The value of the "multiple" and the "haircut" is decided by MSBPL based on Market Volatility and quality of collateral.

**Sell Limit:** MSBPL may provide a sell limit to the client equivalent to the value of securities held by the client in his POA enabled Demat account plus the collateral held by MSBPL on behalf of the client in its Beneficiary and Margin Pool account after making appropriate adjustments for the unsettled delivery positions of the client.

**Exposure for DERIVATIVE:** MSBPL may provide exposure for Derivative trading on availability of initial margin (SPAN + Exposure) in the form of cash and approved securities (with appropriate hair cut).

MSBPL has the discretion to decide the stocks which can be provided by client as margin/collateral. Where the client has authorized MSBPL through POA, MSBPL may transfer securities from client's DP account to its Margin account towards the exposure utilized in "Capital Market" and Derivative segment and to clear the Margin shortfall and other dues, if any.

MSBPL has the discretion to decide whether the margin will be taken in cash or in stocks and/or whether to consider uncleared cheques/bank drafts / pay-orders deposited by the client with MSBPL as margin until MSBPL receives clear proceeds in its bank account. Even though the client might be having adequate margins in the form of stocks, MSBPL may demand the margins in cash, depending on market conditions and/or track record of the client.

## **Policy on Pre Funded Instruments and Electronic Fund Transfer**

Prefunded instrument like Demand Draft / Pay order / Banker cheque of third party will be not accepted.

If client makes payment by any of these instruments upto Rs. 50,000/- than it should be confirm with client that payment received is debited to his/her designated bank account. And if the amount exceed Rs.50,000/- than payment received is debited to his/her designated bank account, proof of the same is to be obtained from client.

Further if clients transfer his fund directly i.e.ECS or RTGS or any other electronic mode, then it should be verify that payment received is debited to his/her designated bank account. If payment is not received from the said designated bank account than such fund will be marked and transferred as suspense and after receiving necessary documents from client it will be credited to his/her account.

## BACK UP POLICY

This policy defines for the safety for the database.

- Technical person (hereinafter referred to as T.P.) maintain schedule backup on daily basis. Database backup is performed at specific time every day as primarily task, T. P. take that backuped data to another USB hard drive and restore it to another system. When backuped data restored successfully as secondary task, T.P. writes that database backup in TAP drive.
- We perform the primary & secondary task to check integrity of backuped data, so in critical situation we get surety about backuped data.
- T.P. takes backup daily from Monday to Saturday.
- TAP drive clean once in every week.
- As per back up policy, we have 3 tier integration for backup security. In Low tier security, databases are additional backup and stored in database server.

In 2<sup>nd</sup> Tier Security, we use one USB hard drive in which database backup are stored in separately. Further USB hard drive are kept at Main office

In 3<sup>rd</sup> Tier security, we use additional TAP drive (two alternate TAP drive) in which database backup is stored and kept at different remote location for safety precaution.

- This policy apply to all equipment and data owned & operated by organization.
- Back up policy design to ensure that database will not be lost and recovered at any critical situation.

## SECURITY POLICY

- This policy is truly useful for server room protection.
- Unauthorized person entry is totally restricted in server room.
- Server room is equipped with Access-Controlled Environment.
- Vendors and permitted visitors are not allowed to access PEN drive, HDD, CD & other important equipments.
- Also Fire extinction equipments are kept ready in server room for safety in case of fire occurred.
- Firewall router provides protection against unauthorized users and against viruses primarily. Also secondary protection, licensed anti virus software provides inbuilt firewall that provides protection against virus.
- Every Internet connection is routed through firewall router and not connected directly.
- Every system of organization is updated with security patches as per requirement and necessity.
- Only authorized persons have privilege and right to install specific program & privilege in each and every system in company.
- A minimum training program is to be provided compulsorily for every user to make them aware from basic system threats and to protect network & their system.

# Password Policy

## 1.0 Overview

Passwords are an important aspect of System security. They are the front line of protection for user accounts. A poorly chosen password may result in the compromise of MSBPL entire corporate network.

## 2.0 Purpose

The purpose of this policy is to establish a standard for creation of strong passwords, the protection of those passwords, and the frequency of change.

## 3.0 Scope

The scope of this policy includes all personnel who have an Internet Based Trading account with MSBPL and the system users at MSBPL, has access to the network.

## 4.0 Policy

### 4.1 General

- All user-level and system-level passwords must conform to the guidelines described below.

### 4.2 Guidelines

#### A. General Password Construction Guidelines

Passwords are used for various purposes at MSBPL. Some of the more common uses include: user level accounts, web accounts, email accounts and local router logins everyone should be aware of how to select strong passwords.

- The password should be more than 6 characters.
- Login name and password cant be same
- Old password and new password cant be same
- Password has to be alpha numeric.
- Password is masked while typing.
- Password is encrypted.
- While login for the first time it will ask for changing the password.

MSBPL Do not shares passwords of the client with anyone, including administrative assistants or secretaries. All passwords are to be treated as sensitive, confidential information.

List of "don'ts":

- Don't reveal a password over the phone to ANYONE
- Don't talk about a password in front of others
- Don't hint at the format of a password (e.g., "my family name")
- Don't reveal a password on questionnaires or security forms
- Don't share a password with family members
- Don't reveal a password to co-workers while on vacation

If someone demands a password, refer them to this document or have them call someone in the IT Department.

Do not use the "Remember Password" feature of applications (e.g., Eudora, Outlook, and Netscape Messenger).

Again, do not write passwords down and store them anywhere in your office. Do not store passwords in a file on ANY computer system (including Palm Pilots or similar devices) without encryption.

We send password of the front office application and back office application via e mail to respective client.

### **Enforcement**

Any employee found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

## NETWORK DOCUMENTATION POLICY

- This network documentation policy is an internal IT policy and defines the requirements for network documentation. This policy defines the level of network documentation required such as documentation of which switch ports connect to what rooms and computers. It defines who will have access to read network documentation and who will have access to change it. It also defines who will be notified when changes are made to the network.
- This policy is designed to provide for network stability by ensuring that network documentation is complete and correct. This policy should complement disaster management and recovery by ensuring that documentation is available in the event that systems should need to be rebuilt. This policy will help to make necessary changes to the network.
- The network structure and configuration shall be documented and provide the following information.
  - IP addresses of all devices on the network with static IP addresses.
  - The various security zones
  - All wide area network (WAN) information including network devices connecting them and IP addresses of connecting devices.
  - Configuration information including netmask, network ID, and gateway.
  - Physical location of where the cabling enters the building and circuit number by tagging.
  - Network device including switches, routers and firewall can reboot whenever required.
  - No changes can be made without presence of IT personnel.
  - Network policy can be changed only with help of IT's superior and subordinate staff in consultation with Board whenever required and if any changes required by exchanges or regulatory authority.
  - Upgradation must be done in network if any, only carried over by IT staff that performs significant network functions.
  - IT personnel evaluate threats to the networks to determine where safety and defenses are to be placed.



## **POLICY FOR ANTI VIRUS**

- The following recommendation process requires preventing virus problems.
  - Company uses licensed version of anti virus software i.e. Trend Micro.
  - When new update is released from Trend-Micro, service is automatically updated from Trend-Micro. Also clients are updated automatically when new update is released.
  - All the systems are automatically scanned vide Trend-Micro updated anti virus software as per the schedule placed for scanning everyday. At every weekend every system in the company are scanned manually.
  - We have checked also consolidated scan log report. Whenever require we take necessary action.
  - Trend-Micro blocks access to malicious web-sites and also provide powerful protection against Virus, Trojans, worms and new variants as they emerges.
  - Nobody can download files from suspicious or unknown sources.
  - Users always scan PEN drive or Floppy diskette from an unknown sources for viruses before using it.
  - Unless as per absolute business requirement, avoid direct disk sharing with read/ write access.
  - At the time of critical situations, Vendor will provide full support and they will help to sort out the problems immediately.
  - Users never open or access files or micros attached to e-mail from any unknown, suspicious or non-trusted sources. Also user deletes these attachments immediately.

## Information Security Policy

### Elements of Information Security Policy

S.No: Area

1. Information security program, Rules, Threats, Incidents/ Attacks.
  - The network is secured by a hardware firewall. Incoming network traffic is restricted on certain ports. All nodes in the network are protected by Trend Micro antivirus and software firewall. They are also implemented with spyware to prevent worms to affect system performance or network traffic. All nodes are also installed with MS Windows Malicious Software Removal Tools.
2. Security Incidents and Reporting
  - Logs of Tren Micro Antivirus, Spyware, Mail Server, Windows Application Logs, Windows Security Logs, Windows System Logs are manually analyzed on weekly basis in order to know about certain threats, attacks or system malfunction.
3. Individual Use/E-mail, internet, Rules
  - Company has it's own Linux based mail server, all employee are given personal e-mail on company domain. Currently all nodes are given internet access with restrictions on certain adult content. However individuals are free to check their personal emails on yahoo, hotmail, gmail, indiatimes and rediffmail sites.
4. Individual Use/ Copyright rule
  - Individuals are instructed not to copy any internet content protected by copy right for preparing any analytical report or other publishing. Prior permission is taken from intellectual property owned in case it is necessary to give reference to any content protected by copy right. Appropriate acknowledgement is also provided for the same.
5. Information security training and awareness
  - Individuals making use of IT infrastructure for routine operations are trained and made aware about the usage of antivirus, spyware, file and print sharing security, FTP security. They are also trained to back up their daily work on designated media.

6. Physical Security of Secure Areas
  - The premise where all servers are located are restricted for designated authorized persons only.
7. Procedure for storage of database, system and Application level password.
  - Database is stored on a hard drive as well as on backup server. System and application level password is known to it persons in the organization and is changed regulars
8. Punitive action against breach of information security.
  - There are severe punitive actions proposed against those found breaching security provisions in the organization. Initial breaches are considered as lack on knowledge and hence training and awareness creation is resorted as reaction to any security breaches. Frequent breaches despite proper awareness are taken seriously and termination of employment is the strictest punitive action proposed for any breach with mal-intentions., legal actions in terms of criminal proceedings are also proposed to be resorted.
9. Extension of IS Security to 3<sup>rd</sup> party such as vendors, service providers etc.
  - Pen, HDD, CD is not allowed when vendor or service provider visits the office. There entry and exit along with activity log is property maintained. Vendors are required to communicate with us through preauthorized IP address when they connect to us by FTP or SMTP. Vendors and service providers are required to submit document related to their network security provision. IT policy and Antivirus System.

## **Audit Trail Policy**

The Internet based Trading Engine – Trade Anywhere/ ODIN, offers the administrator of the Broker with administrative software installed at the Broker's premises. This Internet based Trading Engine – Trade Anywhere/ ODIN (surveillance application) provides the facility of a complete audit trail of all the transactions.

The transactions include

- All Order requests
- All Order Confirmations/Rejections
- All Trade Confirmations,

Which are sent or received from the exchange

All of these transactions are maintained in the system. This is primarily provided to the system administrator.

## **User Management and access control policy.**

- Intimation received from higher management for activation, status change or deactivation of User id
  - user change
  - status of office (branch, AP, sub broker, registered officer)
  - change in address
- NCFM/ BCFM certificate availability and verification on exchange for usability and validity.
- Duly filled up application form for id activation/ modification/ deactivation
- Modification and deactivation details duly incorporate in application form for Id.
- Application form is duly signed by creator and also by approving authority before details uploaded on exchange.
- Availing approval from exchange, user id is uploaded on Admin Server.
- After completing above procedure, User id and password will intimate to the actual user via e mail.

## **BUSINESS CONTINUITY & DISASTER RECOVERY**

For the purpose of Disaster Recovery, we have precautionary measures to make the safety for the disaster.

Precautionary measure taken by us is as under.

- 1) Company's building is built with some earthquake measure so it will safe from the earthquake whenever occurred.
- 2) Company's building is safe from the other natural disaster like flood, heavy rain etc.
- 3) We have alternative electricity option for the minimum system power requirement (UPS).
- 4) We are able to start the system immediately if any possible problems occur in the minimum time period.
- 5) We have multiple connectivity facility for Company. In primary connectivity for Exchange to member, we have MPLS line and in secondary connectivity we have VSAT.

Further primary connectivity for member to client, we have internet connectivity. Also in secondary connectivity for member to client, we have internet connectivity of another vender of internet service provider.

- 6) Also company has multiple firewall facility for external threats.
- 7) We have alternate facility of back up server. So when primary server will be down then trading will switch over to secondary back up server.
- 8) Also we have installed L3 switch for smooth networking.

## **Procedure for escalating the issue**

1. For any query, Client intimates our Company via call. This query is referred by Company's IT Assistant firstly. IT Assistant solves this query immediately after receiving this query.
2. If the query is not sorted out fully, then client intimate the same via e-mail. Company's IT Assistant take this query seriously. If required, IT Assistant visits the place of the query to solve the problems.
3. Also if query is not solved complete, then IT Assistant refer this query to the Head of IT department will involved for solve the query. If required, he will also visit the query side also.
4. After this exercise, if query will not solved completely this query referred to the Director – IT (Mr. Rupesh C. Matalia). Director will try his best to solve this Query immediately without any delay.
5. But due to some major technical intelligence, Director will not enable to solve this query. So in situation, Financial Technologies (I) Ltd., Ahmedabad will be reported immediately.
6. In this situation FT – Ahmedabad will solved this query immediately from the Ahmedabad. But if required their System Engineers will come personally at site to solve this referred query. After passing this level the query will be sort definitely.

## **CAPACITY MANAGEMENT AND FUTURE PLANNING POLICY**

- Company follows the current era of green energy concept. Where company is planning to make green energy server room. So maximum output can be availed with help of minimum power consumption.
- Company well aware with latest Technology and invest & installed in Technology when ever and wherever required.
- Company has installed branded blade server technology where tower servers are sifting to blade servers who occupies minimum spaces with excess output compare to tower servers. Also follows the green energy concept
- Also blade servers are deployed in wrack for the better manageability.
- Company is setting up new server room having space of 13 \* 13 square feet area, which is quite reach space compare to existing server room. Also New server room will be well equipped with latest technology and in well manageability manner for application of green energy concept.
- Total Structure cabling is done with the help of hardware professional.
- Also Company is planning to deploy managed switch network for the better flexibility.
- Further our all blade server has Technology of Raid 1 facility through which our trading activity will not be disturbed at any time due to failure in hard disk.
- Also we have alternate power supply facility through two line of 3kva. So system will not be affected if any one power supply is halted.
- In any case of critical activity in blade server, event will be mail to IT department and also to Director, technical.



## **Software policy**

The objective of a software policy is to ensure that the Matalia Stock Broking Pvt. Ltd. (MSBPL) meets legal, contractual obligations in the licensing and purchasing of software and that it operates in an ethical way.

### **Policy**

The purpose of the policy is to protect the MSBPL from damage due to legal proceedings, being sued for breach of contract, protect the reputation of the organization, ensure good value for money and provide appropriate levels of service.

It is the policy of MSBPL to ensure that:

- Information will be protected against unauthorized copying or use
- Regulatory and legislative requirements will be met.
- The organization obtains best value for money from software purchasing and licensing
- Software assets will be held securely and protected from destruction or unauthorized changes.
- Licensed Software and software key will not be available to any employee or departmental staff or any other unauthorized person at any level & at any time.
- Processes will be in place to track the authorized acquisition and retention of software
- Where use of software is ceased appropriate steps are taken to ensure that licenses and media are disposed of appropriately.
- Information security training will be available to staff
- All breaches of the policy will reported to and investigated through disciplinary channels
- Business requirements for the availability of software will be met

Information Services and Systems has direct responsibility for monitoring the Policy and providing advice and guidance on its implementation. All Departmental Heads are directly responsible for implementing the Policy within their business areas and for adherence by their staff.

The Head of Information Technology Dep. will review the Policy annually and the result of this review reported to the Director.

## **Software Policy Implementation**

The written policy document shall be available to IT department.

The scope of software management processes boundaries shall be defined in terms of the characteristics of the organization, its locations, assets and technology

An appropriate risk assessment shall be undertaken. The risk assessment shall identify the threats to assets vulnerabilities and impacts on the organization and shall determine the degree of risk

## **Implementing the controls**

The selected control objectives and controls shall be implemented effectively by the organization. The effectiveness of the procedures adopted to implement the controls shall be verified by reviews.

The organization will provide procedures for escalating corrective action should a breach occur.

A System audit will be carried out annually by Information Services and Systems.

## **Risk Management (Capital)**

At the time of account opening client require to provide initial deposits as per they trading pattern.

During trading hour's client allowed to take new position as per their initial deposits, ledger amount and collateral deposited with member.

At the end of trading day clients are informed about their VAR margin defined by exchange and compared with client's initial deposit, additional deposits, ledger balance and all other collateral kept with member.

After comparing above report client informed about how much he/she required to pay margin or M to M margin or how much free deposit available with member on daily basis.

For better risk management, front office software of FT product name **ODIN/** Market plus product BOW is being installed at member's office and front office software is fully integrated with back office software. Surveillance of the **ODIN/ BOW** software does not allow client to enter order in excess of their margin deposited with member and system automatically rejects with reason this kind of excess orders.

So we are in better position to cop up with the risk management and margin requirement of client due to integrated software.