

## **INTERNAL CONTROL, POLICY & PROCEDURES**

### **: :Introduction : :**

M/s Karuna Financial Services Pvt. Ltd [KFSPL] (hereinafter referred to as the 'COMPANY') a body corporate, registered under the provisions of the Companies Act 1956, is a SEBI registered broker of the National Stock Exchange of India Ltd. (NSE), Bombay Stock Exchange Ltd (BSE) and Central Depository Services (India) Ltd. (CDSL)

The company has adopted various policies & procedures for internal control measures & tools for compliance of various Acts, rules & regulations of the Exchanges/Depository.

### **:: Client Registration Policy ::**

New account opening form containing Rights and obligation documents, Risk Disclosure Document, Guidance for DO's and Don'ts for trading on Exchange, Policies & Procedure must be signed by the client. The client may or may not sign the Voluntary documents.

The required documents should be collected from the clients strictly as per the documents mentioned in the checklist of the agreement book.

#### **Basis of accepting as client**

At the time of acceptance of clients, various measures are taken to check the genuineness and prudence of the client like checking with income tax database, CIBIL database of Defaulter, SEBI banned entities, UN List of United Nations Security council's Al-Qaida and Taliban Sanction committee, other information's from free search engines like Google. Com etc.

#### **Procedure for In-person verification of clients and maintenance of proof for the same, specifically in respect of out station & sub-broker clients / Authorised Person Clients**

The in-person verification of each and every non-corporate client is being carried out in accordance with the SEBI and exchange guidelines. After doing in-person verification, The details thereof like name of the employees who conducted IPV, date of IPV, Emp. Code etc. are recorded on the KYC-form and / or the identity documents provided by the clients.

Uploading the client details to the NSE/BSE/ CDSL/KRA.

For Karuna Financial Services Pvt. Ltd.

*Amit Dhol*

Compliance Officer

## **KARUNA FINANCIAL SERVICES PVT. LTD.**

On receipt of Valid Report, accompanying the codes allocated to clients the same is intimated over SMS, copy of KYC along with all documents handover to Client and Welcome Letter is send to the client via courier.

### **Process of record keeping and retrieval of client registration document.**

All the KYCs are kept with access only to Authorised Persons. The KYCs are Numbered and kept in their numerical orders so as to facilitate easy and quick access / retrieval of the same.

### **Closure of client accounts / dormant account**

What type of documentation (both inward and outward) undertake for closure of account.

A duly signed account closure form is obtained from the client. After receipt of the form/request from the client, the Account closure is processed after taking into all credit/debit balances lying in the account of the client. If there is any credit balance lying in the ledger account of the client, then the same is returned to the client and in case of debit balance in the ledger of client, the same is recovered from the client before closing the account.

In case of dormant account (six month), what extra caution taken before execution of trade in such account - Please refer to the policy for dormant account.

Procedure adopted in case of very old dormant account (2 years old). Please refer to the policy for dormant account.

Financial capability of the clients is assessed depending on their turnover and is assessed at the end of each financial year. For this KFSPL ensures to update the financial information of the active clients. Financial statements for all corporate clients who are active are collected.

**Walk in Clients :** Please refer to the client Acceptance Policy on our PMLA Policy.

**Financial Documentation :** All clients are required to submit updated financial data, namely, their Balance Sheet or Latest Bank Statement or Salary Income Certificate. In case of re-activation of UCC, the clients are also required to submit written request. Clients, specially operating in F&O Segment are compulsorily required to submit their latest financial position every year.

**Maker & Checker Concept :** The Company appoints different person for checking CRF (Client Registration Form) /data submitted by client and data entered in computer for uploading to master file & the Exchanges. Even after uploading of data, the compliance officer checks the data entered from the CRF. All blank spaces in the CRF is crossed by the compliance officer, if found not crossed by the client.

For Karuna Financial Services Pvt. Ltd.

*Amit Joshi*  
Compliance Officer



# **KARUNA FINANCIAL SERVICES PVT. LTD.**

**Marketing Division** : The Company does not have any marketing Division

**Transfer of Client from one branch / Authorise Person to another :**

The company may on written request received from a client, may allow the client to place his / her orders through another branch / Authorised Person with signature of existing branch / Authorised Person.

In case closure of any Branch or Authorised Person, the written notice is required to be given to all client of the branch or Authorised Person giving them option to place their order in future from corporate/head office.

The company also mark all inoperative client account as 'dormant' till the same is closed or reactivated after written request is received from the client. UCC allotted to closed account is not used for any other new client.

## **:: TRADING POLICY ::**

Active Client master list should be uploaded in the NEAT/BOLT/CTCL trading terminal and all the orders from the clients should be checked for the client codes in the list. This will ensure minimal wrong code punching by the dealers.

Every client should be contacted after the market hours for trade confirmation. The clients should be asked for the settlement of their obligation before settlement date of the exchange.

Every client must be attended by the staff allocated for the purpose and in his absence; compliance officer must ensure that client is attended by another dealer. Staff/ dealer should check the margin availability/credit limit of the client before executing any trade on his behalf.

No trades will be transferred to code other than entered in trading terminal after trading hours unless there is genuine mistake on part of the dealer of client mentioning the UCC at the time of placing the order. Transfer of code can be done only by the 'compliance officer' during the allowable time frame by the exchange on system provided by it.

This step will help us to trace any discrepancies in the trade as well as timely receipt of cheques and securities from the clients and provide better service.

For Karuna Financial Services Pvt. Ltd.

Compliance Officer

## **KARUNA FINANCIAL SERVICES PVT. LTD.**

### **Contract Notes, Daily Margin Statement, Quarterly Statements of Accounts and Register of Securities to Clients**

We are sending ECN to most of our clients after taking due authorization from the clients. Upon non-delivery of any such ECN, Physical contract notes are sent to the respective client(s) as per SEBI/Exchange guidelines.

System for maintaining duplicates & acknowledgement for Contract Notes

As stated above, Company sends ECNs to the clients and ECN sent log for such CNs are maintained. For Physical Contract Notes, proper proof of dispatch / acknowledgements from clients are maintained.

Whether consent for change in e-mail id is obtained through physical letter from the clients? **Yes**

In addition to Contract Notes Daily Margin Statement is sent electronically to the clients within 24 hours. The clients are informed about their margin details with breakups in the form of Cash, Securities in the daily margin statement sent to them.

Contract Notes, Daily Margin Statements, Quarterly Statements of Accounts and Register of Securities are all sent to clients in Electronically Form..

Contract Notes, Daily Margin Statements, Quarterly Statements of Accounts and Register of Securities are issued by the Head Office, irrespective whether the trade has been executed at the head office or at the branch office. The company follows centralized system of accounting and as such all documents relating to the clients are issued to the client from head office.

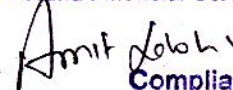
Electronic Contract Notes sent logs are maintained and kept at-least for 5 years and Physical contract notes are sent through courier services and acknowledgement of same are kept.

### **:: Branch or Authorised Person Control Policy ::**

Whenever any proposal for opening of a new branch or authorized person is conceived, a projection sheet is prepared depicting the proposed cost revenue analysis, the proposed services to the new clients etc.

The proposal is discussed in the Branch or Authorised Person Appraisal committee meeting, consisting of directors and other senior persons of the company. The committee gives its approval to the proposal only when it is fully satisfied about the improved services to the prospective clients.

For Karuna Financial Services Pvt. Ltd.



Compliance Officer



## **KARUNA FINANCIAL SERVICES PVT. LTD.**

After the approval is received from the committee, the proposal is given to the Branch Development Officer for implementation. All the activities of opening of new branch or Authorised Person are carried out in a professional way.

Branch manager will be responsible for all activities & trades executed from any branch and solving any client related problems in consultation with compliance officer.

All Client Registration Kits will be approved at the Head Office and will be required to be counter signed by the branch head / Authorised Person from where client has shown his interest to trade. Branch Head or Authorised Person will be responsible for all trades executed from his/her branch and putting all surveillance system.

Whenever any branch or authorized person is closed a notice to that effect is displayed in the branch premises one month in advance. There after all the clients are communicated by telephone/emails informing about the closure of branch, they are given proper information regarding the contact numbers after the branch is closed. For any future dealing the clients are also provided the Contract Nos. of Head Office.

### **Funds: System of Pay in and Pay out of Funds**

Clients payout is released using various modes like Cheques , RTGS, NEFT as and when there is credit balance after considering necessary margin on open positions of clients. However, clients who have requested us in verbally that funds should be released on their convenience only are paid on demand only. All payments are released only to registered bank account of client.

Pay in from clients is collected by various modes like Cheques, RTGS, NEFT, FT etc. as and when due and accounts executives are given this responsibility of collection at HO level as well as Branch or Authorised Person level. Credit is given after verification of source account.

Margin is collected from clients on daily basis. Client is given option to pay by shares or by funds and proper records are maintained.


Funding to clients is not done by us.

Dividend received on securities of clients is credited to clients' accounts within thirty days.

In case of default by client, oral, telephonic and written reminders are sent to client and in case of no proper response legal notice is sent and then proceedings for recovery is started.

No third party transfers are done at all.

For Karuna Financial Services Pvt. Ltd.

  
Compliance Officer

### **Securities: System of Pay in and Pay out of Securities**

Securities are received from clients for Pay in and as Collaterals. Credit is given only if securities are received from registered Dmat accounts. If securities are received from unregistered accounts then securities are transferred back to the same account.

Delivery for payout is given to the clients in their registered Demat accounts only. The securities are delivered to the clients within 24 hours of receipt from the clearing corporation except in case of clients that have requested the retention of securities in writing.

Client wise segregation of securities is maintained.

Clients securities are accepted from and released to clients only in those accounts which are registered with company. We have pre-credit check in our software whereby third party debits are automatically rejected.

We ensure that a client's securities are not mis-utilized for own purposes and for any other client. Securities in excess of those received from a client to meet his obligations are not utilized in any other account and return back to client if no request is made for retaining.

### **Statement of accounts of funds & securities and settlement of account**

- Statement of accounts of funds & securities are issued to the clients as per the regulatory requirement.

The clients are issued statement of account of funds & securities in digital forms to those clients who opted ECN facility on quarterly basis. The clients who opted physical mode of contract note, all the necessary reports are send to him/her physically.

An electronic form of statement of account of funds & securities shall be digitally signed by authorized signatory. In case of physical statement of account of funds & securities signature are not required since it is computer generated. Names of these authorized signatories will be printed on the Contract Notes.

Contract note is time stamped with the computer generated. The format of statement of account of funds & securities are as per regulatory requirement.

Printing of statement of account of funds & securities is centralized. Error clause, running account authorization information and compliance officer details are mentioned in statement of account of funds & securities.

For Karuna Financial Services Pvt. Ltd.

*Amit Dabhi*

Compliance Officer



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Settlement of account of the clients shall be done in every calendar quarter as per client's preference. Settlement of account of the clients shall be done on consolidated balance of across the exchanges/segments basis.

Appropriate hair cut of collateral in securities form shall be applicable on Settlement of account of the clients.

125% additional margin of F&O and Currency Derivatives segment shall be retained along with actual margin of F&O and Currency Derivatives segment on settlement (S) day, margin obligation of cash segment of S day and S+1 day. Funds obligation of the clients of S day and S+1 day, in case of pay in obligation of the clients shall be retained on settlement day.

A balance of Rs. 10,000/- can be retained on the settlement day as per norms of Exchange.

### **Internet Trading**

Internet trading is allowed to those clients who give written request for the same.

As per latest KYC, client may give preference of internet trading through KYC.

### **:: POLICY ON UNAUTHENTICATED NEWS CIRCULATION ::**

Employees / Temporary Staffs / Voluntary Workers etc employed/working in our office shall not be encouraged or they shall not circulate rumors or unverified information obtained from client, industry, any trade or any other sources without verification.

Access to BLOGS / Chat Forums / Messenger sites etc. are either restricted under supervision of some responsible employees of the company or access shall not be allowed.

Logs for any usage of such BLOGS / Chat Forums / Messenger sites (called by any nomenclature) shall be treated as records and the same should be maintained as specified by the respective Regulations which govern our company.

Employees are directed that any market related news received by them either in their official mail / personal mail / Blog or in any other manner, should be forwarded only after the same has been seen and approved by the Compliance Officer of our Company.

If nay employee fails to do so he/she shall be deemed to have violated the various provisions contained in SEBI Act/Rules/Regulations etc. and shall be liable for actions. The Compliance Officer shall also be held liable for breach of duty in this regard.

For Karuna Financial Services Pvt. Ltd.

  
Compliance Officer

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## **:: BACKUP POLICY ::**

All important data backup is taken on daily basis. Backup is taken to prevent loss of data in the event of equipment failure or destruction.

There shall be a separate or set of storage for each backup day. Every month a monthly backup shall be made using the latest backup on the USB hard disk and the same is taken to separate location.

For Karuna Financial Services Pvt. Ltd.

  
Compliance Officer