

# **Prudent Broking Services Private Limited**

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## **Prudent Risk Management System**

### **1.0 Overview**

Risk Management is an important aspect for any organization. It is the nerve of the company. A poorly planned risk management system may result in the compromise of the safety and security of the whole business operation of the company as well as of the clients. As such, the employees, clients, vendors and all those associated with Prudent Broking Services Private Limited are responsible for taking the appropriate steps, as outlined below, in order to ensure smooth running of the business operation.

### **2.0 Purpose**

The purpose of this policy is to establish a standard for protection of the safety and security of the business as well as of the clients and all those who are associated with the organization.

### **3.0 Scope**

The scope of this policy includes all personnel who are dealing with Prudent Broking Services Private Limited and are associated as either an employee, client or in any other way which may effect the operational activity of Prudent Broking Services Private Limited.

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## 4.0 General Guidelines

### 4.1 Opening of Account / Client Registration

- All persons associated with Prudent Broking Services Private Limited as an employee must read all the policy documents as well as the procedural manuals and should be well versed with all the systems and procedures.
- Besides the above, all employees should also read and understand the various circulars being issued by the authorities viz; SEBI, Exchanges, CDSL, etc., from time to time.
- All policies and guidelines issued by the competent authorities in regards to the day-to-day operations, should be properly and clearly informed to all the concerned clients – existing as well as prospective.
- It should be ensured that all the clients are well aware of the rules and regulations.
- Such guidelines should also be disseminated on the website.
- At the time of opening an account or while registering the client for trading activity, the KYC (Know Your Client) norms, as prescribed by SEBI / CSDL / NSE / BSE or any other Exchange where the Company has obtained registration should be strictly followed.
- All employees responsible in the above activity should ensure the above and thereby satisfy themselves of the credentials of the client in order to ensure safe and smooth operation of the clients' activities.
- In regards to the KYC norms, the client should give their full and correct details as on the date of filling up the application form. They should also give their full and correct financial details.
- Any suppression of the material facts by the client should be dealt with seriously by the concerned authority and the same should be reported to the higher authorities.
- In case, if there is any doubt with regards to the financial status of the client, the same should be properly verified by the employee. If required, they should ask the client submit further details in this regard to authenticate the details provided by them earlier. Wherever necessary, one of the employees should visit the client's residence in order to authenticate the details provided by the client.
- Only after properly verifying the details of the client and being fully satisfied with regards to the authenticity of the client, should the account be opened.
- All the documents submitted by the client for opening of their account and registering for trading, should be stored in a safe and secured environment.

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## 4.2 Trading

- All the employees designated for the trading activity should be adequately qualified and should be holding appropriate certificates as per the guidelines prescribed by SEBI / NSE / BSE.
- All the above employees should be allotted a unique user ID for their trading platform which is to be password protected.
- Each user should be given a pre-set limit for the trading activity.
- At the time of registering a client for trading activity, the client should be allotted to a particular dealer for all his trading activity so that the dealer can keep a proper track and control the clients' activities.
- Before start of the trading activity of a client, the dealer to whom the particular client has been allotted should refer the KYC details of the client at least once. Only after referring the same, should the dealer start accepting trade orders from the client.
- The dealing staff should ensure that the client details have been properly and correctly entered in the system and all the necessary procedures have been completed.
- The dealing staff should also intimate the client registration code and the contact details of the dealing staff to the client for their trading activity.
- Once the client starts regular trading activity, the concerned dealer should keep a track of the client's activity. Whenever the client is found to be going off track i.e. purchasing of shares exceeding the regular limit, the same should be brought to the notice of the higher authorities.
- The senior staff should then closely monitor such activities and if required should call on the client and ask for the payment for such purchases upfront.
- If such transactions are found to be suspicious, the client should be asked to furnish his/her financial details and also the mode of financing such transactions.
- Similarly, if any suspicious trades towards sale of any shares are noticed, the same should also be dealt with seriously and the matter should be brought to the notice of the higher authorities.
- For sale of shares in huge quantity, the delivery of the same should be taken upfront before executing the order.
- The purchases of the client should be credited to their correct account in a proper system as prescribed by the Exchange.
- Such credits should be made only after ensuring that the client has made full payment for their purchases.
- In case, if a client does not make payment for their purchases, the shares purchased by such clients should be kept in abeyance in the pool account till the time the payment is received. If such payments are not received within 15 days of the trade, then under such circumstances, these shares should be sold off and the due for the same should be set-off.

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- On sale of shares by the client, it should be ensured that the delivery for the same is received from the concerned client within the prescribed time limit in the prescribed manner.
- In case, if the client does not give delivery of the shares within the prescribed time limit, then under such circumstances, after the deadline period these shares will go under auction.
- Proper and systematic registers for all the orders received and trades executed for the client under their instruction should be maintained in accordance with the law as prescribed by SEBI / Exchange.
- At the end of the day, the dealing staff should confirm the trades with all those clients who had put their orders with a limit and ensure that the payment /delivery, as the case may be, is done by the client within the stipulated time period.
- Any technical problem in the system should also be immediately brought to the notice of the system engineer or the concerned department.
- All employees should read, understand and be well versed with all the rules, regulations and by-laws prescribed by SEBI / NSE / BSE as well as through various communications issued by them from time to time.

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## 4.3 Demat Account

- As already mentioned above under point 4.1, while opening a Demat account for any client, the KYC norms should be strictly followed.
- The authenticity of the client, including their financial status should be properly verified before accepting and processing the application for opening a Demat account of the client.
- As per the rule prescribed by CDSL, a Demat account should be opened only after verifying the identity of the client i.e. the employee should conduct a in person verification of all the holders of the Demat account that is to be opened. Only after verifying the same should the account be opened.
- Once the account is opened, the employees designated for the DP activity should keep a track of the securities being debited and credited from and to the account.
- In case, if a large quantity of shares i.e. in terms of number of shares or in terms of value, is being debited or credited from and to the account, the same should be brought to the notice of the higher authorities.
- The employees should also ensure that the client has paid all his dues, including transaction charges, annual maintenance charge, etc., within the prescribed time limit and that there is no outstanding amount pending to be received from the client.
- On receiving delivery from the client, it is to be ensured that the delivery instruction slip (DIS) is properly and clearly filled-in and the settlement number mentioned therein is correct.
- Any correction or overwriting in the DIS should be authenticated by the client with their signature on the same.
- The DIS should be in accordance with the law as prescribed by CDSL.
- In case, if any client has availed the facility of viewing their holding details on the internet or of giving delivery of shares through internet i.e. Speed-e, it has to be ensured that the password for the same are provided to the client in a safe and secured way.
- The details made available to the client through the internet should also be safeguarded in a proper way, so that no third party is able to lay their hands on the same.
- All the clients should be provided with their transaction statement in accordance with the law as prescribed by CDSL.
- All employees should read, understand and be well versed with all the rules, regulations and by-laws prescribed by SEBI / CDSL as well as through various communications issued by them from time to time.

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## 4.4 Back-office

- The back-office is the back bone of an organization. As such, all employees in the back-office department should strictly ensure to follow proper system as prescribed in the rules and regulations as well as various communications.
- At the end of the day, the contract notes and bills should be generated and a print out of the same has to be taken.
- This contract notes and bills should be sent to all the clients within 24 hours of their trade and an acknowledgement for the same should be taken from the client.
- The acknowledged copies of the contract notes and bills should be preserved as per the law of the Exchange.
- A proper register for the trades executed during each day should be maintained.
- Any correction in the trades should be done within the prescribed time limit and in the manner as prescribed by the exchange. Such modifications should be properly verified and has to be authenticated by a senior official of the company.
- The back-office staff should keep a watch over any suspicious trade being taken place. If they come across any such trades, the same should be brought to the notice of the higher authorities.
- They should ensure that the daily pay-in and pay-out are done within time and all dues towards the same are settled by the clients accordingly.
- In case of any overdue of securities or outstanding payment is pending, the back-office software has an inbuilt system whereby the said details can be known by the concerned staff. Such details are to be derived and the respective clients are to be informed accordingly.
- In case of any outstanding payments, the same is reflected with the number of days so that necessary action on the same can be taken by the concerned staff.
- In case, if any client has an outstanding of more than 60 days, as per the system, the software automatically freezes the account and all the activities of the client is suspended till the time the same is cleared.
- Similarly, in case if the value of the outstanding payment is more than the specified limit, the software automatically freezes the account of the client, thereby suspending all the activities of the client with us, till the same is cleared.
- All payments to the clients are done within the stipulated time i.e. immediately after the pay-out has taken place. Like-wise, for all purchases the delivery of security is done to the client's account immediately after the pay-in deadline.
- All the back-office staff should be well versed with the rules, regulations and laws prescribed by SEBI / NSE / BSE / CDSL or any other Exchange where the Company is registered and also the various communication issued by them from time-to-time.

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## 5.0 Enforcement

Any employee found to have violated / deviated from the above, will be subject to strict disciplinary action, up to and including termination of employment. In case, if any client is found to have deviated from the above, their registration will be terminated with immediate effect and no further transactions for the client will be executed.