



# Internal Control Procedure

## 1. Introduction/Registration of clients

- a. The retail clients will be registered if introduced by Directors, Authorised Persons, Remisers, existing clients, through proper references. In case of walk-in clients the due diligence as per the PMLA Policy of the Company shall be followed. In all circumstances the proper identification of the client will have to be ascertained by the person in charge of the process.
- b. The person in charge of the process of opening the account will have to ensure that the in-person verification of all the new clients is done either by him/her or by the Branch Manager or by the Authorised Person or Remiser or by the employee of the Company.
- c. The Risk Disclosure Document, Do's and Don'ts and Rights and Obligation documents as prescribed by SEBI should be made available to the clients along with the KYC form and the same to be populated on BDSSL's website.
- d. The documents required for identification of the client and client's financial information as per the SEBI guidelines shall be taken. All the said documents shall be verified against originals in case of physical forms and in case of EKYC the same will be captured and verified through Aadhaar authentication.
- e. Additional documents may be called upon in case the identity cannot be ascertained.
- f. A welcome letter along with the Copy of KYC form and documents shall be sent to the clients, which may contain information like client's email id, their Unique Client Code, and other basic information.
- g. All the account-opening documents of all the clients will be preserved in Electronic form (Scanned Copies) or physical form atleast 10 years from the date of account closure of such client.

## 2. Account Opening Process / Inactive account process

- a. The account form once received by the back end will be verified by the KYC Executive.
- b. The same shall be verified with CKYC and KRA records. In case the record does not exist the same to be created on CKYC and KRA portals.
- c. The account opening process will have the maker checker concept at the back-office software level.
- d. Once the account is opened in the back office the UCC files generated from the Back-office software will be uploaded to all the Exchanges.
- e. All the accounts which do not have any trade for more than 2 years shall be marked as inactive and the same shall be activated only on receipt of following documents from the client
  - a. Reactivation request
  - b. KYC form
  - c. KYC documents

## 3. Order entry

- a. Order placing will be done by the authorized dealers only through registered terminals.
- b. The identification of clients should be done before entering the order by way of the Client Code.
- c. The dealers may accept the orders on recorded telephone lines or emails or in person or through messages.



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- d. The limits shall be set dealer wise (terminal wise) / client wise from the Administration office. Further in case of any delay or default (including cheque bounce) dealers are instructed not to trade for such clients unless they deposit advance payment.
- e. In case where the clients have opted for online trading, the option of BSE Bolt plus on Web shall be given to such clients.
- f. All the inbound and outbound telephone lines in the dealing rooms / offices shall be recorded. Further the activities on the dealer terminals shall be monitored from the admin office and in case of any suspicion the dealer terminal may be deactivated after due interrogation of the dealer.
- g. The register of Certificates shall be maintained in MS excel and the concerned approved users shall be informed one month before expiry of the certificate.
- h. The trade confirmation will be sent to the clients at EOD through message as well as email.

#### **4. Sending Contract Notes, Margin Statement, Weekly Statements, Annual Global Statements(AGTS), Retention Statements and Statement Of Accounts To Clients**

- a. The bills will be generated on T+1 basis
- b. Contract notes, margin statements, weekly statements, retention statements, statement of accounts and AGTS will be issued from the Administration Office.
- c. All the above documents will be sent in the electronic format to the clients at their registered email address unless the client has requested a physical copy of the same.
- d. The schedule of sending the above documents is as follows:

Documents	Time line	Frequency
Contract Notes	with 24 hours of the Trade date	Daily
Margin Statement	EOD Trade date	Daily
Weekly Statements	Within 4 working days of the succeeding week	Weekly
Retention Statement and Statement of Account	Within 5 days from the date of settlement	Monthly / Quarterly
AGTS	30 days from the End of year	Annually

Note: The above timelines and frequency are subject to changes from time to time

- e. The log of emails sent for above documents is maintained in the back office system
- f. In case the emails are bounced the physical copy should be sent to the registered address of the client.
- g. Contract notes will be numbered on an annual basis i.e. the 1<sup>st</sup> contract will start on the first day of the financial year.

#### **5. Securities:**

- a. The clients having Demat Accounts in CDSL will be required to use the On-market transfer option to deliver the securities directly in the market, and in case clients having demat account with NSDL will have to transfer the shares in the relevant settlement of the Company's Pool account with NSDL.
- b. Direct Pay out mechanism of the Exchanges will be used for Payout to clients demat accounts.



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- c. Separate Own Beneficiary Account will be maintained with CDSL
- d. Client wise segregation of securities shall be maintained
- e. If the buyer fails to meet his fund obligation above the value of Rs. 2500.00 by the settlement day, the securities will be transferred to the buyer's demat account along with the creation of an auto-pledge in favour of BDSSL's Client Unpaid Securities Pledgee Account (CUSPA).
- f. Shares worth 125% of the net debit will be held as pledged in BDSSL's CUSPA and the remaining shares will be released to the buyer's demat account on T+1.
- g. If the client fulfills the fund obligation within 4 trading days from the pay-out day (T+1+4), the pledge will be released.
- h. If the client fails to fulfill the fund obligation within 4 trading days from the pay-out day (T+1+4), the securities will be sold in the market on T+1+5 to recover debits.

### 6. Funds:

- a. The payment from / to clients shall be made in the mapped bank account/s only.
- b. Third party payments will not be accepted.
- c. The company does not provide any funding facility and the Branch, Authorised Person, Remiser or any of the Dealing offices of the Company will directly or indirectly not offer any funding facility to the clients on behalf of the Company.
- d. Dividend received on account of clients shall be deposited in 'Client Account' of the Company and credit for the same shall be given to respective client. Dividend received on account of own account shall be deposited in personal account.

### 7. Liquidation of Client position

- a. The position of the clients who default in margin payment for F&O segment will be liquidated for the shortage of margin by T+1 Day in F&O segment
- b. The client should be intimated about margin requirements on T -day and position square up to be initiated on T+1 day if the payment is not made on T-day.

### 8. Transfer Of Trades

- a. In case where the trade is executed in the wrong UCC/client code, the same shall be transferred to Error Account and squared up in the Error Account.
- b. The request for transfer of trade should be received in writing on email.
- c. While carrying out client code modification, genuineness of the punching errors shall be verified against corroborative circumstantial evidence.
- d. Please refer to Policy for client code modification.

### 9. PMLA

- a. The company has appointed the Principal Officer and the same is informed to FIU via email.
- b. Measures as per the Policy on PMLA shall be complied with.
- c. Clients shall be registered only after due diligence of the identity of the client is done.
- d. The Clients shall be categorised with respect to the Risk.
- e. The transactions of clients of Special Category (as per PMLA Policy) will have to be scrutinized thoroughly.



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- f. In case of suspicious transaction, the same will have to be brought to the knowledge of the Principal Officer who may further investigate and if found suspicious may inform the FIU in the prescribed format.
- g. The volumes of the clients shall be monitored in line with the Financial Details provided as mentioned in the PMLA Policy as well as Prudent Risk Management Policy.

### 10. Investor Redressal Mechanism

- a. A dedicated email id – [ig@bdshah.com](mailto:ig@bdshah.com) is dedicated for investors redressal
- b. The written complaint can be sent at the Head Office of BDSSL
- c. The register of complaints be maintained at the Head office.
- d. BDSSL will strive to redress the grievance immediately, but not later than 30 days of the receipt of the grievance.
- e. In case the above redressal is not satisfactory approach the Stock Exchange using the grievance mechanism mentioned at the website of the respective exchange.
- f. The complaint is not redressed at Stockbroker / Stock Exchange level, may be lodged with SEBI on SCORES (a web based centralized grievance redressal system of SEBI)
- g. The complaint once received on the email or in writing or from Exchange(s) or SEBI, the same shall be immediately redressed and the response to the same should be given within 30 days.
- h. The concerned Branch, Authorised Person, Remiser, Dealer should be kept in loop for all the communications related to such complaint.

### 11. Opening / Closing of Branches / Authorised Persons

- a. All the procedures as prescribed by the Exchange / SEBI to open a branch or AP or Remiser should be followed.
- b. In the case of AP / Remiser the same need to be registered with Exchanges.
- c. Notice as prescribed need to be displayed up at the branch / AP Office
- d. Clients for the specific branch / AP need to be mapped to the exchange
- e. The staff at the Branch / AP office should be trained
- f. Terminal to allotted only to NISM certified persons only
- g. Limits to be set branch wise, terminal wise, clientwise.
- h. In case where the terminal is closed, the clients mapped to the said terminal will be mapped to the other terminal registered with the said AP branch after a written detailed request is received from the said branch / AP.
- i. Branch / AP closure to be done as per the procedure laid down by SEBI and Exchanges
- j. The clients should be informed well in advance about the intention of the Branch / AP Closure.
- k. All the client dues and transactions have to be settled.
- l. All the clients of AP / Branch who intend to retain their account with BDSSL should be mapped to the HO and or the other AP with whom the client shows written intention to be mapped
- m. All the AP fees should be paid

### 12. Branch/ Authorized persons, Inspections

- a. Branch / AP should be inspected atleast once in a year.
- b. All the areas mentioned in SOP for Branch / AP inspection should be covered.



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- c. In case irregularities found, the action should be initiated and the same should be rectified / corrected within 30 days of the inspection.
- d. Depending on the criticality of the irregularity the action needs to be initiated on the branch which may lead to even Disciplinary action.

### **13. Execution of Demat Debit and Pledge Instruction (DDPI) (if applicable) -**

- a. The Clients having their Demat account with BDSSL shall be requested to give DDPI for On-market Trades, Margin pledge, Mutual Funds and Tender offers.
- b. The DDPI shall be specific and restricted to the BO Ids mentioned in the same.
- c. The Instructions issued on behalf of the Clients by the Company using DDPI will be auto generated and in case of manual slips the same will have to be authorized from the management.

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

- a. The account closure will be executed only on the request from the client or in case of default from the client or due to death.
- b. In case the client account has no transaction for more than 24 months the account will be treated as inactive.
- c. The procedure as prescribed in the Policy regarding treatment of Inactive clients should be strictly followed.

The above Internal Control Document is subject to changes from time to time and shall be reviewed as and when there are policy changes by the Company or by the Authorities

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