

PARIM FINANCIAL SERVICES

INTERNAL CONTROL AND RISK MANAGEMENT POLICY

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Developed By



**Address: Parim Finserv, 1st Floor, Dharmanandan Society,
Dabholi Road, Above Gopal Steel, Katargam, Surat - 395 004.
Web Site: Parimfinserv.com, E Mail – admin@parimfinserv.com**

INTERNAL CONTROL AND RISK MANAGEMENT POLICY

INTRODUCTION:

This is a policy document for guiding the operations of the organization. This Document is for internal use and not for circulation.

CLIENT REGISTRATION:

This is first stage of contact with the client. It is very important to take adequate details from the clients to maintain a record of the details of the clients.

1. Company registers client by obtaining the Client Registration Form which is foremost requirement of exchange. In this form the basic details of the clients are obtained i.e.
 - a. UCC : A code No is allotted which helps to identify the client.
 - b. Name of the Client: As per Pan Card
 - c. Residential Address is taken with the address proof which are the document specified by the exchange i.e. Ration Card, Passport, Voters ID or Driving License.
 - d. Photo ID proof is also taken i.e. Pass Port, Voter Ids, Driving License Copy.
 - e. Photograph of the client in case of Individual.
 - f. For Corporate Client the following documents such as Board Resolution, Memorandum of Association & Article of Association of company, Share holding pattern, Details of Authorised Persons and Directors.
 - g. Pan card of all Clients.

All these document form part of KYC Norms, which is, will be taken from all the clients

- h. Bank Details of the client along with the proof i.e. xerox of the bank pass book or a canceled cheque with signature. This helps us to keep a track of the Client Bank Account and 3rd party payment i.e. amount paid through other persons account.

- i. DP accounts details which are for giving and taking delivery of securities. Proof of the 1st DP Account holder is taken and allows us to check whether third party delivery of the security i.e. security of client given to other persons or taking delivery of other persons.

Risk base Categorisation of Client:

We Classify both the new and existing clients into high, medium or low risk category depending on parameters such as the customer's background, type of business relationship, transactions etc Risk based approach is followed and all client. All client have to submit necessary documents for Deciding Risk Category. Categorisation is based on the documents submitted by client and the due diligence carried out by us.

We classified client in Three Categories High Risk, Medium Risk, Low Risk Following are some point are consider while Categorisation of client

➤ **High Risk**

- High risk Client is those Client who not fully satisfied documentation require for Categorisation .
- Client always have debit Balance in his account without any holding.
- Delay payment / late payment of fund require for position.
- Over trading without funds.
- Poor fanatical background.
- Nonpayment of dues in account.

➤ **Medium Risk**

- Delay payment some time not always.
- Better fanatical back ground.
- Good response for debit balance in account.

➤ **Low Risk**

- Good DP holding with Best fanatical background.
- Timely payment of funds.
- Proper document provide for Categorisation of client.

Clients of special category (CSC)

We also Classified Client according to special category (CSC).

Category include following type

- ❖ Non-resident clients
- ❖ High net worth clients,
- ❖ Trust, Charities, NGOs and organizations receiving donations
- ❖ Companies having close family shareholdings or beneficial ownership
- ❖ Politically exposed persons (PEP) of foreign origin

- ❖ Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
- ❖ Companies offering foreign exchange offerings
- ❖ Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.
- ❖ Non face to face clients
- ❖ Clients with dubious reputation as per public information available etc.

CLIENT BROKER AGREEMENT:

Client Broker Agreement is executed at the time of Client Registration. It is as per the format prescribed by the exchange. This document covers all the responsibilities, Rights & Liabilities of client & member.

RISK DISCLOSURE DOCUMENT:

Trading in securities market involves risks of various nature. Clients need to be educated and informed about the risks involved and the company as a policy will issue the RDD to all its clients and obtain a signature on the copy.

BANK ACCOUNTS:

Client Bank Account will be used only for the purpose of receiving and paying funds from the clients. For the payments of expenses the business account will be used. Fund Transfers between all the bank accounts will be allowed as per requirements.

RECEIPT FROM & PAYMENTS TO THE CLIENTS:

The cheques from the clients will only be accepted from the accounts for which the client has submitted the proof to the company. In case of any receipt from the accounts for which the proof is not available the same will be demanded from the clients. Third party cheques will only be accepted from the parties related to the clients after taking due authorisation from both the client and the person making payment.

Payments for the payouts will only be made to the clients and not to any third party.

DEMAT ACCOUNTS:

The company will maintain client's securities in a designated account called the Client Beneficiary Account. The securities of the company will be kept in a separate demat account termed as Own Beneficiary Account. The clients and own securities will not be mixed with each other.

RECEIPT AND DELIVERY OF SHARES:

The shares from the clients will only be accepted from the accounts for which the client has submitted the demat proof to the company. In case of any receipt from the accounts for which the proof is not available the same will be demanded from the clients. Third party delivery will only be accepted from the parties related to the clients after taking due authorisation from both the client and the person making payment.

Delivery for the payouts will only be made to the clients and not to any third party.

CONTRACT NOTES:

Company will issue contract notes to its clients on the next working day from the day of trade takes place.

STATEMENT OF ACCOUNTS:

The statement of accounts will be sent to the clients on a quarterly basis within one month of the end of the relevant quarter, as it will help avoid discrepancies in future.

EXPOSURE TO THE CLIENTS:

The company will allow exposure to the clients keeping in mind the payment capacity of the client. As all the clients are known to the dealers the dealers will decide whether to allow the exposure and if allowed then to what extent.

MARGIN COLLECTION:

In case of Capital Market segment the margin will normally not be levied under normal circumstances but the company may collect the Margins depending on the Market Scenario and Client Profile.

In case of F&O the Company will collect the SPAN margin from the clients and if need be the company may collect additional margins for the safety depending on the Market Scenario and Client Profile.

DEPARTMENTS AND FUNCTIONS:

DEALING DESK OPERATIONS:

The dealers will execute the client's trades as per the instructions of the clients promptly on the trading terminal. Abundant caution shall be exercised by the dealer while entering the trades on behalf of the clients into the trading system. There shall be a Chinese Wall with regards to dealing operations. The staff of the dealing room shall not have access to the Back Office of the company.

BACK OFFICE OPERATIONS:

The Back office department shall carry out the functions of the settlement. The major responsibility will include:

- Client Master creation and Upload thereof to the Exchanges
- Downloading files from the Exchanges and Clearing Corporation
- Processing of Trades
- Reconciliation of Obligations
- Generation of Aging Analysis of Clients for Dr Balances
- Issuance of Contract Notes and other relevant documents on a daily basis
- Bank and Demat entries and reconciliation thereof

The Back Office staff shall not be allowed in the dealing room except when the situation demands the entry in the dealing room for execution of their duties.

MID OFFICE AND COMPLIANCE DEPARTMENT:

It shall be the responsibility of this department to ensure that the functioning of the Company is in Compliance with regulatory requirements. It shall ensure timely action with regards to payment of statutory dues and filing of returns thereof. It shall also be responsible for ensuring the timely issuance of the documents like statement of Accounts for Funds and Securities to the Clients. All the stationeries indented for the company shall be screened by this department before placement of the order for printing.

IT DEPARTMENT:

This department shall cater to the IT needs of the of the Organization in all departments. They shall act as trouble shooters and shall be allowed to interact and use the systems of all the departments for executing their duties.

CLOSURE OF CLIENT ACCOUNTS/ DORMANT ACCOUNTS

- For the closure of Account, we accept a formal written request letter from the client and thereafter we did an exercise at our end like to find whether there is any debit or credit balance standing in the account of such client, if there is no such balance, then we forward the confirmation letter to those respective clients.
- Under such instances, before execution of any transaction in their account, asked for some details like updation of clients financial and others, etc. and if think fit that such transaction can be done without any risk then we allow them to do trade in their account.
- Though, no such instances come across us till yet, but, on the occurrence of any such instance, we had opted a policy to execute a fresh KYC, MCA/TPA, RDD in the prescribed formats and the same is executed before execution of trade for the client in another (new) Branch though the client code will remain same.
- where such dormancy remain for 2 or more years old, then we request the client to do all the needful formalities as we did in case of new client like execute a fresh KYC, MCA/TPA, RDD in the prescribed formats, assess their financial capabilities, etc. under the same code.