

## **Code of Conduct for Prevention of Insider Trading**

### **ACHIEVERS EQUITIES LIMITED**

#### **Introduction**

**ACHIEVERS EQUITIES LIMITED** (hereinafter referred to as the 'Company') incorporated on 15<sup>th</sup> Oct, 2009 under Companies Act, 1956 as a Company, is Securities and Exchange Board of India (SEBI) registered Stock broker of the National Stock Exchange of India Ltd. (NSEIL), BSE LTD & MCX Stock Exchange Ltd. (MCX-SX) and depositories Participant of Central Depository Services (India) Limited (CDSL).

#### **Back ground**

The Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, was amended on 22<sup>nd</sup> February 2002 (hereinafter referred to as "Regulations") in terms of which a Stock Broker is required, inter alia, to frame a Code of Conduct for Prevention of Insider Trading by Employees of a Stock Broker, including its Directors

In line with the said Regulations, the following Code of Conduct (hereinafter referred to as "the Code") has been adopted by Achievers Equities Limited (hereinafter referred to as "AEL").

#### **1 Director**

- 1.1 AEL has a Compliance Officer reporting to the Managing Director
- 1.2 The Compliance Officer shall be responsible for setting forth Policies and Procedures and monitoring adherence to the Rules for the preservation of "Price Sensitive Information", pre-clearing of all Designated Employees and their Dependents Trades (directly or through respective Department heads as decided by the AEL), monitoring of Trades and the Implementation of the Code of Conduct under the overall Supervision of the Directors
- 1.3 The Compliance Officer shall also assist all the Employees / Directors in addressing any Clarifications regarding SEBI (Prohibition of Insider Trading) Regulations, 1992 and AEL Code.
- 1.4 The Compliance Officer shall maintain a record of the Designated Employees and any Changes made in the List of Designated Employees



## **2 Prevention of "Price Sensitive Information"**

- 2.1 Employees / Directors shall maintain the Confidentiality of all Price Sensitive Information. Employees / Directors must not pass on such Information directly or indirectly by way of making a Recommendation for the Purchase or Sale of Securities
- 2.2 **Need to Know**
  - 2.2.1 Price Sensitive Information is to be handled on a "Need to Know" basis, ie Price Sensitive Information should be disclosed only to those within AEL, who need the Information to discharge their Duty and whose Possession of such Information will not give rise to a Conflict of Interest or Appearance of Misuse of the Information
- 2.3 Limited Access to Confidential Information
  - 2.3.1 Files containing Confidential Information shall be kept Secure. Computer Files must have Adequate Security of Login and Password, etc
- 2.4 Chinese Wall
  - 2.4.1 To prevent the Misuse of Confidential Information, AEL shall adopt a "Chinese Wall" Policy which separates those Areas of AEL, which routinely have access to Confidential Information, considered "Inside Areas" from those Areas which deal with Sale / Marketing / Investment Advise or other Departments providing Support Services, considered "Public Areas"
  - 2.4.2 The Employees in the Inside Area shall not communicate any Price Sensitive Information to anyone in Public Area
  - 2.4.3 The Employees in Inside Area may be physically segregated from Employees in Public Area
  - 2.4.4 Demarcation of the various Departments as Inside Area may be implemented by AEL
  - 2.4.5 In Exceptional Circumstances, Employees from the Public Areas may be brought "Over the Wall" and given Confidential Information on the basis of "Need to Know" Criteria, under Intimation to the Compliance Officer

## **3 Prevention of Misuse of Price Sensitive Information**

- 3.1 Employees / Directors shall not use Price Sensitive Information to Buy or Sell Securities of any sort, whether for their Own Account, their Relative's Account, AEL Account or a Client's Account. The following Trading Restrictions shall apply for Trading in Securities
- 3.2 Pre-clearance of Trades
  - 3.2.1 All Directors / Designated Employees of AEL, who intend to deal in the Securities of the Client Company (above a Minimum Threshold Limit to be determined by AEL) shall pre-clear the Transactions as per the pre-dealing Procedure as described hereunder



- 3.3.2 An Application may be made in such form as AEL may specify in this regard, to the Compliance Officer indicating the Name and Estimated Number of Securities that the Designated Employee / Director intends to deal in, the Details as to the Depository with which he has a Security Account, the Details as to the Securities in such Depository Mode and such other Details as may be required by any rule made by AEL in this behalf
- 3.3.4 An Undertaking shall be executed in favor of AEL by such Designated Employee / Directors incorporating, inter alia, the following Clauses, as may be applicable
- i That the designated Employee / Director does not have any Access or has not received any "Price Sensitive Information" upto the time of signing the Undertaking
  - ii That in case the designated employee / director/partner has access to or receives "Price Sensitive Information" after the signing of the undertaking but before the execution of the transaction he/she shall inform the Compliance officer of the change in his position and that he/she would completely refrain from dealing in the securities of the client company till the time such information becomes public.
  - iii That he / she has not contravened the Code of Conduct for prevention of Insider Trading as specified by AEL from time to time
  - iv That he / she has made a Full and True Disclosure in the matter

#### **4 Restricted / Grey List**

- 4.1 In order to monitor Chinese Wall Procedures and Trading in Client Securities based on Inside Information, AEL shall restrict Trading in certain Securities and designate such List as Restricted / Grey List
- 4.2 Security of a Listed Company shall be put on the Restricted / Grey List if AEL is handling any Assignment for the Listed Company or is preparing Appraisal Report or is handling Credit Rating Assignments and is Privy to Price Sensitive Information
- 4.3 Any Security, which is being purchased or sold or is being considered for Purchase or Sale by AEL on behalf of its Clients / Schemes of Mutual Funds, etc shall be put on the Restricted / Grey List
- 4.4 As the Restricted List itself is a Highly Confidential Information it shall not be communicated directly, or indirectly to anyone outside AEL. The Restricted List shall be maintained by Compliance Officer
- 4.5 When any Securities are on the Restricted List, Trading in these Securities by Designated Employees / Directors may be blocked or may be disallowed at the time of pre-clearance



## **5 Other Restrictions**

- 5.1 All Directors / Designated Employees shall execute their Order within One Week after the approval of pre-clearance is given. If the Order is not executed within One Week after Approval is given, the Employee / Director must pre-clear the Transaction again
- 5.2 All Directors / Designated Employees shall hold their Investments for a Minimum Period of 30 Days in order to be considered as being held for Investment Purposes
- 5.3 The Holding Period shall also apply to Purchases in the Primary Market (IPOs). In the case of IPOs, the Holding Period would commence when the Securities are actually allotted
- 5.4 In case the Sale of Securities is necessitated by Personal Emergency, the Holding Period may be waived by the Compliance Officer after recording in Writing his / her reasons in this regard
- 5.5 Analysts, if any, employed with AEL while preparing Research Reports of a Client Company(s) shall disclose their Share Holdings / Interest in such Company(s) to the Compliance Officer
- 5.6 Analysts, who prepare Research Report of a Listed Company shall not Trade in Securities of that Company for 30 Days from Preparation of such Report

## **6 Penalty for Contravention of the Code**

- 6.1 Any Designated Employee / Director who trades in Securities or communicates any Information or counsels any Person Trading in Securities, in Contravention of the Code may be penalised and appropriate Action may be taken by AEL
- 6.2 Designated Employees / Directors of AEL, who violate the Code may also be subject to Disciplinary Action by the Company, which may include Wage Freeze, Suspension, etc
- 6.3 The Action by AEL shall not preclude SEBI from taking any Action in case of Violation of SEBI (Prohibition of Insider Trading) Regulations, 1992

## **7 Information to SEBI in case of Violation of SEBI (Prohibition of Insider Trading) Regulations**

- 7.1 In case it is observed by AEL / it's Compliance Officer that there has been a Violation of these Regulations, SEBI shall be informed by AEL

## **8 Listed Intermediaries to comply with both Part A and B of Schedule I**

- 8.1 The Intermediaries such as Credit Rating Agencies, Asset Management Companies, or Broking Companies etc whose Securities are listed in Recognised Stock Exchange shall comply with both Part A and Part B of this Schedule in respect of its Own Securities and Client's Securities





## **ACHIEVERS EQUITIES LIMITED.**

**Guidelines for Unauthenticated News Circulation in the light of SEBI circular Cir/ ISD/1/2011 dated March 23, 2011 & Circular No. 17326 dated March'2011**

Our employees are restricted from circulation of rumours or unverified information obtained from client, industry, any trade or other sources without verification & they will not be allowed to access any blog & chat server without prior approval from management.

The employees will have to seek prior approval from the compliance officer before forwarding any market related news received by them either in their official mail/personal mail/blog or in any other manner. If an 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 disciplinary action.

The employees are not allowed to access to blogs/chat forums/messenger sites (called by this or any other nomenclature) etc. However, the employees may be allowed to access these blogs/chat forums/messenger sites under strict supervision of the concerned authorities.

We are in the process of setting up the system for maintaining the Logs of any usage of Blogs / Chat forums / Messenger sites (even if called by any other nomenclature) for record purpose as specified by the respective Regulations, provided these are accessed from the offices of the member.

Place: Kolkata

**Achievers Equities Ltd.**

*Ranjit Kumar Das*  
**Compliance Officer**

### **Redressal Mechanism for Investor Grievance**

The Register of Complaints is centrally maintained. The Company has a dedicated Customer Relation Team to monitor & redress complaints lodged with branches / AP. The Complaints received from clients through mail, letter at branches/AP is forwarded to Head Office (HO) through email, calls or post to respective Customer Relation Manager where they are redressed on online basis. If the complaint is not resolved at this level, then it is forwarded to Compliance Department. The pending investor complaints at this level is monitored by the Compliance Officer. Analysis of such complaints is done by the management and preventive measures have been taken and implemented.

Complaints registered against the company and received through exchanges are redressed by Compliance Department and are recorded in the Register of Complaints.

The Company has a designated e-mail ID, i.e. [grievance@achiiversequitiesltd.com](mailto:grievance@achiiversequitiesltd.com) to enable investors to register their complaints.

The stock broker shall co-operate in redressing grievances of the client in respect of all transactions routed through it and in removing objections for bad delivery of shares, rectification of bad delivery, etc.

The client and the stock broker shall refer any claims and/or disputes with respect to deposits, margin money, etc., to arbitration as per the Rules, Byelaws and Regulations of the Exchanges where the trade is executed and circulars/notices issued there under as may be in force from time to time.

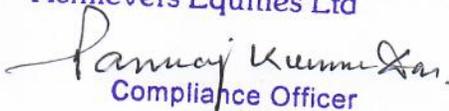
The stock broker shall ensure faster settlement of any arbitration proceedings arising out of the transactions entered into between him vis-à-vis the client and he shall be liable to implement the arbitration awards made in such proceedings.

The client/stock-broker understands that the instructions issued by an authorized representative for dispute resolution, if any, of the client/stock-broker shall be binding on the client/stock-broker in accordance with the letter authorizing the said representative to deal on behalf of the said client/stock-broker.

Cheques, DDs received by APs sent to the HO, records are maintained and the same has been taken into effect in the client's ledger immediately.

**For Achiivers Equities Ltd**

**Achiivers Equities Ltd**



**Compliance Officer**

**Pankaj Kumar Das**  
**Compliance Officer**

## ERROR CODE POLICY

### Reason/Purpose:

1. The modification to the client code is to be done only in exceptional cases and not as a routine one.
2. The following would constitute genuine errors with regard to client code modifications:
  - Error due to communication and/or punching or typing such that the original client code/name and the modified client code/name are similar to each other;
  - Modification within relatives ('relative' for this purpose would mean "relative" as defined under the Companies Act, 1956).
3. Shifting of any trade (institutional or non-institutional) to the error account of the trading member shall not be treated as modification of the client code under SEBI circular dated July 5, 2011, provided that the positions arising out of trades in error account are subsequently liquidated/closed out in the market and not shifted to some other client code.
4. We will inform the Exchanges the reasons for modification of client codes which are classified as 'Error Accounts' to the exchange at the time of UCC upload.
5. With a view to minimize errors, the Company will periodically review the trades following to the 'Error Account' of the trading member.
6. Therefore it is imperative that the issue should be reported to the senior level Manager/ Director/ Compliance Officer and only with his approval, the modification should be carried after being satisfied that it is genuine, the same is required to be done to protect the interests of the client.

### Work Procedure:

#### On Line Modification:

- Genuine punching errors in the client codes while placing orders shall be allowed to be modified.
- Client code modification facilities shall be disabled from all the dealer terminals.
- Client code modification shall be carried out only from the admin terminals located at H.O. surveillance desk by Compliance Officer under the intimation to any of the Directors.
- While carrying out code modification, genuineness of the punching errors shall be verified against corroborative circumstantial evidences like similarities of codes, trades in immediately preceding codes, square off trades without holdings or position or any such other evidences shall have to be taken into account.
- Complete records of daily online trade modifications shall be maintained in soft form.

**Off Line modifications:**

- Genuine punching errors in client code, if detected after the end of post-closing sessions may be allowed to be modified subject to the verification of genuineness as narrated above.
- A register/approved mail are required wherein details shall be maintained for all such modifications. Concerned dealer/sub-broker/AP shall enter the required details.

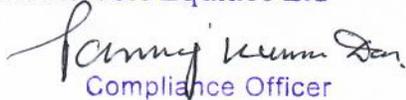
**Reporting System**

- Client code modification issues should be reported to the Directors/ Compliance Officer and can be done only after getting approval after knowing it is genuine as per the exchange directives.
- Any client code modification shall be subjected to this policy is carried at Head Office of the Company.
- The Company review the Error Account file sent by the Exchange periodically.

This policy may be reviewed as and when there are any changes introduced by any regulatory/ statutory authority or as and when considered necessary by the Board of Directors of the Company.

**For ACHIEVERS EQUITIES LTD**

Achievers Equities Ltd

A handwritten signature in blue ink, appearing to read 'Pankaj Kumar Das', is written over the printed name and title.

**PANKAJ KUMAR DAS  
COMPLIANCE OFFICER**

## ANNEXURE - J



### RECEIPT POLICIES

1. Prefunded Instruments like Pay order/Demand Draft are acceptable under the SEBI & Exchange guidelines from clients for payin/shortfall of FO margin etc. Preferably only A/C payee cheque will be receivable from clients for aforesaid purpose. If client want to provide us the same then client(s) have to submit the sufficient proof the aforesaid prefunded instrument issued from his own bank account which is registered with us.
2. Cheques/NEFT/RTGS from clients would be accepted only of those banks whose details have been provided during client registration.
3. No third party cheques would be accepted.
4. NO CASH PAYMENT IS ACCEPTED.
5. The Branches/Clients/SB/AP should mail the details of the cheques deposited directly to the bank at [pay@achieversequitiesltd.com](mailto:pay@achieversequitiesltd.com). The Branches/Clients/SB/AP should ensure that the mails should be received by HO by 5 pm so that the benefit of the payment made by the clients can be posted to the ledger on the same day.
6. Clients are advised not deposit any cash directly to company's account. If cheque/DD/PO/NEFT/RTGS is deposited then intimation should be given in writing along with pay in slips/Ref.No. otherwise credit will not given to client till proper documents are received from client.
7. For outstation Clients, payments made by the Clients would be not posted to the account of the clients unless HO receives credit for the same by the bank since outstation clearing cheque takes a period of 15-20 days to get cleared.
8. Local Cheques received within 2 PM will be posted to the ledger on the same day. The effect of the cheques received beyond 2 PM would be given on the next day.

**Achievers Equities Ltd.**  
*Pankaj Kumar Jain*  
**Compliance Officer**

## Policy on Setting of Limits

### **Objective**

To pre-define limits for each terminal and monitor the same on an ongoing basis. There may be possibility of orders for large quantity and value being placed due to punching error or otherwise which might lead to execution of unrealistic orders. In cases where the quantity/value of such order is high, the Company may be exposed to huge losses.

In order to avoid such situation, it has been considered imperative to prescribe limits for each terminal being operated at the Company.

### **Scope**

This policy covers the procedure and checks in place for allotting limits to each of the terminals. Reference SEBI Circular No. MIRSD/SE/Cir-19/2009 dated 03.12.2009.

### **Types of Limits**

- Quantity limit for each order
- Value limit for each order
- User value limit for each user ID
- Branch/ AP value limit for each branch/ AP ID
- Spread order Quantity and Value Limit

### **Branch/ AP Buy & Sell Limits**

- a. In Equity Segment Branch/ AP 'Buy Value' and Branch/ AP 'Sell Value' limits shall be set by the Designated Directors/ Compliance Officer.
- b. In F&O Segment Branch/ AP 'Buy Value' and Branch/ AP 'Sell Value' limits shall be set by the Designated Directors/ Compliance Officer for both Futures and Options.
- c. In Currency Segment Branch/ AP 'Buy Value' and Branch/ AP 'Sell Value' limits shall be set by the Designated Directors/ Compliance Officer for both Futures and Options.

### **Dealer Buy & Sell Limits**

- a. In Equity Segment Dealer wise 'Buy/ Sell Value' limits shall be set by the Designated Directors/ Compliance Officer.
- b. In F&O Segment 'Buy/Sell Value' limits shall be set by the Designated Directors/ Compliance Officer for both Futures and Options.
- c. In Currency Segment 'Buy/ Sell Value' limits shall be set by the Designated Directors/ Compliance Officer for both Futures and Options.

Achievers Equities Ltd

*Pamraj Kulkarni Desai*

**Order Value Limits**

Apart from setting up of branch/ AP/ terminal wise limits, Designated Directors/ Compliance Officer shall set 'Order Value' limits for both maximum order quantity and maximum order value.

**Market Price Protection Limit**

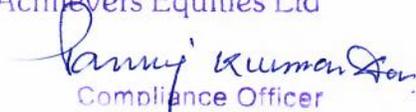
Designated Directors/ Compliance Officer shall also set up market price protection limit for each dealer. In equity segment, symbol wise limit for each scrip, shall also be set up, as and when required. These limits shall be reviewed from time to time and in case of any amendment is made to the existing limits, record of such modification shall be maintained. Compliance Officer shall ensure that none of the limits mentioned above has been set as 'unlimited'.

**Review**

This policy may be reviewed as and when there are any changes introduced by any regulatory/ statutory authority or as and when considered necessary on account of business needs and risk management policy.

**For ACHIEVERS EQUITIES LIMITED**

Achiivers Equities Ltd



Compliance Officer

**PANKAJ KUMAR DAS**

**COMPLIANCE OFFICER**

## POLICY ON DEALING WITH INACTIVE/ DORMANT CLIENTS

### **Introduction:**

**ACHIEVERS EQUITIES LTD** (hereinafter referred to as the 'Company') incorporated on 15 October, 2009 under the Companies Act, 1956, is a Stock broker of the Bombay Stock Exchange ("BSE") and the National Stock Exchange of India Limited ("NSE") registered under the Securities and Exchange Board of India ("SEBI") and a Depository Participant of Central Depository Services Limited ("CDSL")

### **Background:**

SEBI vide circular MIRSD/SE/Cir-19/2009 dated December 3, 2009, BSE notice no. 20091204-7 dated December 4, 2009 and NSE circular no. NSE/INSP/13606 dated December 3, 2009 directed that a policy be framed by stock brokers to deal with the inactive/dormant accounts.

### **Definition of Dormant/ Inactive Accounts:**

A Trading account in which no transaction has been carried out for a period of 365 days (Three Hundred and Sixty Five days) i.e., 12 calendar months shall be classified as an Inactive/Dormant Account.

## **TREATMENT OF INACTIVE/DORMANT ACCOUNTS**

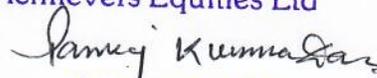
### **Transactions in Dormant Trading Accounts**

In case of dormant trading accounts in which no transaction has been placed during the last 365 days (Three Hundred and Sixty Five days) i.e., 12 calendar months, the account of the client shall be suspended and the client shall not be permitted to execute a fresh transaction in the account unless the client provides either of the following:

- A written request in hard copy along with completed & signed Dormant Account Reactivation Form to reactivate the account and process the transaction duly signed by Client and submitted to the Company along with the latest 6 months' bank statements for financial updation.
- Concerned Dealers are required to check the identity of the person before taking down orders.
- The said client before placing orders has to confirm their KYC requirements as provided earlier and in case the KYC requirement stands changed meanwhile, he will be required to first comply with the latest one.

The Compliance Team shall take the necessary measures as formulated in this policy to reactivate the dormant clients.

**Achiievers Equities Ltd**

  
**Compliance Officer**

### **MONITORING OF TRANSACTIONS**

- Evaluation for dormant account will be done on a daily basis for Trading Accounts.
- Sudden activity in dormant accounts in large volume shall be viewed as a suspicious transaction and report will be generated.
- Such reports shall be reviewed by the Authorized Official.
- Transactions found to be suspicious shall immediately be reported to the Risk Management and Compliance Department.

### **DORMANT & CLOSURE OF ACCOUNT**

- If the account is dormant and the client wants to close his/ her account, he/ she will follow the procedure of re-activation of dormant account first as per the Company's policy on Re-activation of Dormant Accounts. His/ her account will be closed only after re-activation of dormant accounts successfully.

### **RECORD MAINTENANCE**

- All the relevant documents, records, forms have been kept by the Company as per the rules and regulations framed by the SEBI/ Exchange or as decided by the Board of Directors from time to time, whichever is more stringent.

### **OTHERS**

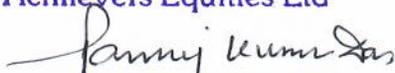
**Return of Assets:** The Balances lying in the Dormant Trading accounts shall be returned to the client at the time of the calendar quarterly/monthly settlement. If the client wishes to receive the funds/securities from such Trading account before the calendar quarterly/monthly settlement, the Client shall make a request in writing which shall be submitted to the Company (Head Office). The funds/securities from such Trading account shall be returned within 7 days from receipt of the request.

#### **Review of Policy**

The policy may be reviewed as and when there is any change introduced by any statutory authority or as and when it is found necessary to change on account of business needs or Risk management Policy.

**For Achiievers Equities Ltd**

**Achiievers Equities Ltd**

  
**Compliance Officer**

**Pankaj Kumar Das**  
**Compliance Officer**



**ACHIEVERS EQUITIES LIMITED**  
**POLICY FOR CLIENT CODE MODIFICATION**  
**(Applicable for all exchange/segment)**  
**Guidelines for Client Code Modification in the light of SEBI**  
**Circular CIR/DNPD/6/2011 dated July 5, 2011**

**Reason/Purpose**

1. The following would constitute genuine errors with regard to client code modifications:
  - Error due to communication and/or punching or typing such that the original client code/name and the modified client code/name are similar to each other.
  - Modification within relatives ('Relative' for this purpose would mean "Relative" as defined under the Companies Act, 1956).
2. Shifting of any trade (institutional or non institutional) to the error account of the trading member shall not be treated as modification of client code under SEBI circular dated July 5, 2011, provided the positions arising out of trades in error account are subsequently liquidated/closed out in the market and not shifted to some other client code.
3. Trading members would be required to disclose the client codes which are classified as 'Error Accounts' to the Exchange at the time of UCC upload.
4. Trading member should have a well documented error policy to handle client code modifications, approved by their board/management.
5. with a view to minimize errors committed by the trading members, the Exchange will periodically review the trades flowing to the 'Error Account' of the trading members.





## Work Procedure

### **On Line Modification:**

- \* Genuine punching errors in client codes while placing orders shall be allowed to be modified.
- \* Client code modification facilities shall be disabled from all the dealer terminals.
- \* Client code modification shall be carried out only from the admin terminals located at H.O. Surveillance desk by Compliance Officer under the intimation to any of the directors.
- \* While carrying out code modification, genuineness of the punching errors shall be verified against corroborative circumstantial evidences like similarities of codes, trades in immediately preceding codes, square off trades without holdings or position or any such other evidences shall have to be taken into account.
- \* Complete records of daily online trade modifications shall be maintained in soft form.

### **Off Line modification:**

- \* Genuine punching errors in client code, if detected after the end of post closing sessions may be Allowed to be modified subject to the verification of genuineness as narrated above.
- \* For F&O and CDS segment, as far as possible, the errors would be rectified by reversal trade in next trading session and the rate differences shall be set off by passing a JV entry in the ledgers of affected clients. In case the client do not agrees to keep such wrong trade record in his account, such trades may be rectified by moving both legs of the trades to the account of actual client instead of settling it though JV entry.
- \* For Cash segment any such errors would be rectified after verifying genuineness.
- \* A register/approved mail are required details shall be maintained for all such modifications. Concerned dealer/sub-broker/AP shall enter the required details



## Outsourcing Policy

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## **1. Introduction and Background.**

**1.1** The world over, business entities are increasingly using outsourcing as a means of both reducing cost and accessing specialist expertise, not available internally and achieving strategic aims. ‘Outsourcing’ may be defined as a use of one or more than one third party-either within or outside the group to perform the activities associated with services on a continuing basis, which would normally be undertaken by the Company itself, now or in the future.

Such outsourcing activities results in the Company being exposed to various risks. Further, the outsourcing activities have to be within regulatory purview and the interests of the customers should be protected.

It is against this background, that Securities & Exchange Board of India (SEBI) vide its circular ref.no.: CIR/MIRSD/24/2011 dated December 15, 2011 has put in place a set of guidelines for intermediaries to address the risks that would be exposed to in lieu of growing outsourcing activity. Based on the above SEBI guidelines this policy is formulated by the company which is a SEBI registered intermediary.

**1.2** Outsourcing brings in its wake, several risks like Strategic Risk, Reputation Risk, Compliance Risk, Operational Risk, Legal Risk, Exit Strategy Risk, Counter party Risk, Access Risk, Concentration and systematic risk. The failure of a service provider in providing a specified service, a breach in security/confidentiality, or non-compliance with legal and regulatory requirements by either the service provider or the outsourcing company, can lead to financial losses or loss of reputation and could also lead to systemic risks. It would therefore be imperative for the company while outsourcing any of its activities to ensure effective management of these risks.



**1.3** This policy is intended to provide direction and guidance to outsource the activities to adopt sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from such outsourcing activities. This policy is applicable to outsourcing arrangements entered into with a service provider located in India or elsewhere. The service provider may either be a member of the group or an unrelated party.

**1.4** The underlying principles behind this policy are that the outsourcing arrangement does not diminish the company's ability to fulfill the obligations towards the customers as well as to the regulators nor does it impede effective supervision by the latter. The outsourcing activity should be such which could be performed efficiently by an external agency. Such outsourcing should result in maintaining or improving the quality of customer service. It should ideally result in cost reduction for the company. Steps have to be taken to ensure that the service provider employs the same high standard of care in performing the services as would be employed by us, if the activities were conducted within and not outsourced. Outsourcing should not be engaged that would result in our internal control, business conduct or reputation, being compromised or weakened.



## 2. Activities that are already outsourced by the company.

The following activities are currently outsourced by the company	Outsourcing Activities	Bearing on customer service and level of importance on company's business
Applications & Software		Low
Hardware and Application support services		Moderate
Payroll processing		Low

In the above rating moderate/low signifies that arrangement for alternate service provider can be made easily and the company has the capability to take back the process in case of failure/disruption of services with the service provider

## 3. Activities that should not be outsourced.

As per SEBI guidelines, the core business activities including execution of orders and monitoring of trading activities of clients should not be outsourced. The provisions of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 and Guidelines issued thereunder from time to time should be adhered to. This inter alia refers to doing In person verification of customer.



#### **4. Regulatory and Supervisory requirements.**

**4.1** As the outsourcing of any activity does not diminish our obligations, we would be responsible for the actions of the service provider and the confidentiality of information pertaining to the customers that is available with the service provider. The ultimate control of the outsourced activity should be retained.

**4.2** All relevant laws, regulations, guidelines should be considered while performing due diligence in relation to outsourcing.

**4.3** Outsourcing arrangements should not affect the rights of a customer, including his/her ability to seek redressal as applicable under relevant laws against us.

**4.4** Outsourcing, whether the service provider is located in India or abroad, should not impede or interfere with the ability to effectively oversee and manage its activities nor should it impede regulators in carrying out its supervisory functions and objectives.

**4.5** *The service provider, should not be owned or controlled by any director or officer / employee of THE COMPANY or their relatives having the same meaning as assigned under Section 6 of the Companies Act, 1956.*

**4.6.** The outsourcing arrangements shall neither diminish the company's ability to fulfill its obligations to customers and regulators, nor impede effective supervision by the regulators.



## **5 Risk Management practices for outsourcing**

### **5.1 Need for an Outsourcing Policy.**

As per the above referred SEBI circular dated December 15, 2011, each intermediary shall have in place a comprehensive outsourcing policy, approved by its Board, incorporating inter alia, criteria for selection of such activities as well as service providers, delegation of authority depending on risks and materiality and systems to monitor and review the operations of these activities.

Nature of activities that can be outsourced:

The outsourcing activity should be such which could be performed efficiently by an external agency. Such outsourcing should result in maintaining or improving the quality of customer service. It should ideally result in cost reduction for the company. However, execution of orders and monitoring of trading activities of clients should not be outsourced. Also, an activity shall not be outsourced if it would impair the supervisory authority's right to assess, or its ability to supervise our business as a stock broker.

Evaluation of risk concentrations: For all critical activities that are outsourced there should be back up arrangements in place. E.g. one service provider goes out of business the outsourcing work should be easily shifted to another Service provider.

Limits on the acceptable overall level of outsourced activities: If the outsourced activity costs a significant portion of the total cost incurred by the company in a financial year then it should be considered as material outsourcing.



## **5.2 Role of the Board and Senior Management/Committee.**

**5.2.1.** The Board is responsible for framing and adopting the outsourcing policy and related overall responsibility for activities undertaken under this policy. It is also responsible to interlay for:-

- a. Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements.
- b. Laying down appropriate approval authorities for outsourcing depending on risks and materiality.
- c. Undertaking regular review of outsourcing strategies and arrangements for the continued relevance, and safety and soundness and
- d. Deciding on business activities of a material nature to be outsourced, and approving such arrangements.

The Board shall also have overall responsibility for ensuring that all ongoing outsourcing decisions taken by the company and the activities undertaken by the service provider, are in keeping with its outsourcing policy.

**5.2.2** The Senior Management should be responsible for:-

- a. Evaluating the risks and materiality of all existing and prospective outsourcing, based on the framework approved by the Board.
- b. Developing and implementing sound and prudent outsourcing policies and procedures commensurate with the nature, scope and complexity of the outsourcing.



- c. Reviewing periodically the effectiveness of policies and procedures.
- d. Communicating information pertaining to material outsourcing risks to the Board in a timely manner.
- e. Ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested.
- f. Ensuring that there is independent review and audit for compliance with set policies.
- g. Undertaking periodic review of outsourcing arrangements to identify new material outsourcing risks, as they arise.

**5.2.3 Framework for approval, review and control of Outsourcing activities.**

The following authority structure has been formalized for approving outsourcing of activities, both new and renewal and the selection of service provider to whom it can be outsourced. This committee shall also be responsible for the authority delegated by the Board in this matter:

Proposer	Department Heads
Approver	Directors / Board Committee



Name of the Department	Authorised Signatories for conveying approval	Role of each Committee Member
Risk & Compliance		Material Outsourcing Risk assessment and specifying risk mitigants. Examine the regulatory impact and list out the regulations to be complied with.
Human resources		Examine the impact under Labour laws and convey appropriate guidelines.
Operations		Examine the requirement & to lay the scope of the activities to be outsourced.
Business Operations		Examine the requirement & to lay the scope of the activities to be outsourced.
Information Technology		Examine the IT requirement & to lay the scope of the activities to be outsourced.
Lawyers of the company		Provide appropriate service level agreement covering all the necessary regulatory and risk mitigation measures





The quorum for the committee meeting shall be three members.

### **5.3 Evaluation of the Risks.**

The service provider for outsourcing arrangements have to be selected keeping in view the following types of outsourcing risks and applying appropriate risk mitigants to protect the interest of customers and immunize the company from any anticipated losses. The key risks in outsourcing that need to be evaluated are:-

- a. Strategic Risk – The service provider may conduct business, which is inconsistent with our overall strategic goals.
- b. Reputation Risk – Poor service from the service provider, its customer interaction not being consistent with the overall standards.
- c. Compliance Risk – Privacy, consumer and prudential laws not adequately complied with.
- d. Operational Risk - Arising due to technology failure, fraud, error, inadequate financial capacity to fulfill obligations and/or provide remedies.
- e. Legal Risk – includes but is not limited to exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements due to omissions and commissions of the service provider.
- f. Exit Strategy Risk – This could arise from over-reliance on one firm, the loss of relevant skills in the company itself preventing it from bringing the activity back in-house and contracts entered into wherein speedy exits would be prohibitively expensive.



g. Counter Party Risk – Due to inappropriate underwriting or credit assessments.

h. Country Risk – Due to political, social or legal climate creating added risk.

g. Contractual Risk – arising from whether or not we have the ability to enforce the contract.

i. Concentration and Systemic Risk – Due to lack of control over a service provider, more so when overall share broking industry has considerable exposure to one service provider.

While approving any contract, the total exposure to a service provider and arrangement made by it towards business continuity should be invariably ascertained and a view should be taken accordingly.

### **5.3.2. Material Outsourcing**

Material outsourcing arrangements are those that contributes to more than 10% of the company's total annual costs

### **5.4 Evaluating the Capability of the Service Provider.**

**5.4.1.** In considering or renewing an outsourcing arrangement, appropriate due diligence should be performed to assess the capability of the service provider to comply with the obligations in the outsourcing agreement. Due diligence should take into consideration qualitative and quantitative, financial, operational and reputation factors. It should be examined whether



the service provider's systems are compatible with our system and also whether their standards of performance including in the area of customer service are acceptable and the timelines. While evaluating the capability of the service provider, issues relating to undue concentration of outsourcing arrangements with a single service provider should also be kept in mind. Wherever possible, independent reviews and market feedback on the service provider should be obtained to supplement the internal findings.

**5.4.2.** Due Diligence should, thus, involve evaluation of all available information about the service provider, including but not limited to:-

- a. Past experience and competence to implement and support the proposed activity over the contract period.
- b. Financial soundness and ability to service commitments even under adverse conditions.
- c. Business reputation and culture, compliance, complaints and outstanding or potential litigation.
- d. Security and internal control, audit coverage, reporting and monitoring environment, business continuity management.
- e. External factors like political, economic, social and legal environment of the jurisdiction in which the service provider operates and other events that may impact service performance.
- f. Ensuring due diligence by service provider of its employees.



## **5.5. The Outsourcing Agreement.**

**5.5.1.** The terms and conditions governing the contract between the service provider should be carefully defined in written contracts/agreements and vetted by legal team on their legal effect and enforceability. Every such agreement should address the risks and risk mitigation strategies. The agreement should be sufficiently flexible to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations. The agreement should also bring out the nature of legal relationship between the parties i.e. whether agent, principal or otherwise. The nature and detail of the agreement shall be appropriate to the materiality of the outsourced activity in relation to the ongoing business of the company

It should be ensured that the outsourcing agreement, inter alia, addresses the following issues:

- a. Defines clearly the activities to be outsourced, including appropriate service and performance standards.
- b. It should provide for mutual rights, responsibilities, expectations, obligations of the parties including indemnities.
- c. It should provide for the liability of the third party for unsatisfactory performance/other breach of the contract.
- d. It should specify the responsibilities of the third party with respect to the IT security and contingency plans, insurance cover, business continuity and disaster recovery plans, force majeure clause etc.





e. Lays down access to all books, records and information relevant to the outsourced activity available with the service provider.

f. Provides for continuous monitoring and assessment of the service provider, so that any necessary corrective measure can be taken immediately.

g. Includes as termination clause and minimum periods to execute a termination provision, if deemed necessary.

h. Controls to ensure customer data confidentiality and service providers' liability in case of breach of security and leakage of confidential customer related information. Unambiguous confidentiality clauses to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract;

i. Contingency plans to ensure business continuity. Responsibilities of the service provider with respect to the IT security and contingency plans, insurance cover, business continuity and disaster recovery plans, force majeure clause, etc.; Preservation of the documents and data by the service provider;

j. provides for the mechanisms to resolve disputes arising from implementation of the outsourcing contract;

k. provides for termination of the contract, termination rights, transfer of information and exit strategies;





l. Calls for the prior approval/consent of THE COMPANY for the use of sub-contractors by the service provider for all or part of an outsourced activity. Includes, where necessary, conditions of sub-contracting by the service provider, i.e. the contract shall enable the company to maintain a similar control over the risks when the service provider outsources to further third parties as in the original direct outsourcing;

m. Provide THE COMPANY with the right to conduct audits on the service provider whether by its internal or external auditors, or by agents appointed to act on its behalf and to obtain copies of any audit or review reports and findings made on the service provider in conjunction with the services performed.

n. Includes clauses to allow SEBI or persons authorized by it to access THE COMPANY's documents, records of transactions and other necessary information given to, stored or processed by the service provider within a reasonable time.

o. Other necessary information given to stored or processed by the service provider, within a reasonable time.

p. Includes clause to recognize the right of SEBI to cause an inspection to be made of a service provider of THE COMPANY and its books and account by one or more of its officers or employees or other persons.

q. Provides for the preservation of documents and data by the service provider in accordance with the legal/regulatory obligation.

r. Provides for the mechanism to resolve disputes arising from implementation of the outsourcing agreement.





s. Addresses additional issues arising from country risks and potential obstacles in exercising oversight and management of the arrangements when the company outsources its activities to foreign based service provider. For example, the contract shall include choice-of-law provisions and agreement covenants and jurisdictional covenants that provide for adjudication of disputes between the parties under the laws of a specific jurisdiction;

t. The agreement shall not prevent nor impedes the company from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers;

u. The agreement shall provide for the company and /or the regulator or the persons authorized by it to have the ability to inspect, access all books, records and information relevant to the outsourced activity with the service provider.

v. It should address additional issues arising from country risks and potential obstacles in exercising oversight and management of the arrangements to foreign third party. For example, it should include choice-of-law provisions and agreement covenants and jurisdictional covenants that provide for adjudication of disputes between the parties under the laws of a specific jurisdiction;

## **5.6. Confidentiality and Security.**

The Company shall take appropriate steps to require that service provider protect confidential information of both the company and its customers from intentional or inadvertent disclosure to unauthorized persons.



**5.6.1.** Public confidence and customer trust is a prerequisite for the stability and reputation. Hence the preservation and protection of the security and confidentiality of customer information in the custody or possession of the service provider should be ensured.

The company is shall take appropriate steps to protect its proprietary and confidential customer information and ensure that it is not misused or misappropriated.

**5.6.2.** Access to customer information by staff of the service provider should be on 'need to know' basis, i.e. limited to those areas where the information is required in order to perform the outsourced function and the service provider shall have adequate checks and balances to ensure the same..

**5.6.3.** It should be ensured that the service provider is able to isolate and clearly identify the customer information, documents, records and assets to protect the confidentiality of the information. In instances, where service provider acts as an outsourcing agent for multiple entities, care should be taken to build strong safeguards for data security and confidentiality,

In instances, where the service provider acts as an outsourcing agent for multiple intermediaries, it is the duty of the service provider and the company to ensure that strong safeguards are put in place so that there is no co-mingling of information /documents, records and assets.

**5.6.4.** To review and monitor the security practices and control processes of the service provider on a regular basis. The service provider would be required to disclose security breaches to the concerned authority in the event of any breach of security and leakage of confidential customer related information.





### **5.7. Business Continuity and Management of Disaster Recovery Plan.**

The company and its Service provider shall establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of backup facilities.

Specific contingency plans shall be separately developed for each outsourcing arrangement, as is done in individual business lines.

The company shall take appropriate steps to assess and address the potential consequence of a business disruption or other problems at the service provider level.

Notably, it shall consider contingency plans at the service provider; co-ordination of contingency plans at both the company and the service provider; and contingency plans of the company in the event of non-performance by the service provider

To ensure business continuity, robust information technology security is a necessity. A breakdown in the IT capacity may impair the ability of the company to fulfill its obligations to other market participants/clients/regulators and could undermine the privacy interests of its customers, harm the company's reputation, and may ultimately impact on its overall operational risk profile. The company shall, therefore, seek to ensure that the service provider maintains appropriate IT security and robust disaster recovery capabilities.



The Business Continuity Preparedness of an organization is defined as the creation of a practical logical plan on how the organization will recover and restore partially or completely interrupted critical (urgent) functions within a predetermined time after a disaster or extended disruption has occurred. The objective of Business Continuity Plan is to ensure that the business processes flows smoothly.

In the context of outsourcing the activity to a Service Provider, the business continuity plan and appropriate measures have to be taken and documented.

**5.7.1.** While evaluating a service provider, it should be ensured that it has developed and established a robust framework for documenting, maintaining and testing business continuity and recovery procedures. It should be ensured that the service provider periodically tests the business continuity and recovery plan. Occasional joint testing and recovery exercises may be tried for this purpose with the service provider. It should be further ensured that service provider have adequate arrangements to ensure minimum disruption of the services rendered. Periodic tests of the critical security procedures and systems and review of the backup facilities shall be undertaken by the company to confirm the adequacy of the service provider's systems.

**5.7.2.** In order to mitigate the risk of unexpected termination of the outsourcing agreement or liquidation of the service provider, appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations and to continue its business operations without incurring prohibitive expenses and without any break in the operations and its services to the customers should be retained. The same shall be part of the written contract/agreement. This can be achieved in two ways.



a. THE COMPANY can quickly shift the processes to alternate service provider.

OR

b. THE COMPANY can handle the activities on its own (i.e. bring back the activity in-house till the services at the service provider's end is restored).

**5.7.3.** In establishing a viable contingency plan, availability of alternative service providers or the possibility of bringing the outsourced activity back in-house, in an emergency and the costs, time and resources that would be involved, should be kept in purview.

**5.7.4.** As Outsourcing often leads to the sharing of facilities operated by the service provider, it should be ensured that service providers are able to isolate THE COMPANY's information, documents, records and other assets. This is to ensure that in adverse conditions, all documents, records of transactions and information given to the service provider, and assets of THE COMPANY, can be removed from the possession of the service provider in order to continue its business operations, or deleted, destroyed or rendered unusable.

Therefore, depending on the type of activity outsourced, the service provider should be able to provide appropriate Business Continuity Plan Documents. It should be ensured that the same is obtained from the service provider.

## **6. Selection and Procurement of Service Provider**

While selecting a service provider to outsource an activity outsourced, the company, should take into cognizance the outsourcing risks and accordingly take adequate care to make the decision.





The documents required to be submitted by the service provider is provided in Annexure 1.

### **7. Service Provider Verification Report**

The objective of this report is to verify the competence and the capabilities of the service provider to handle the proposed activity in view of the various outsourcing risks the company will be exposed to. The official of the company has to verify the credentials of the service provider and make appropriate comments in the report. The format of the same is enclosed as Annexure 2.

### **8. Outsourcing Approval Request Form**

The proposer has to apply to the competent authority for empanelling/renewing the services of the service provider using the format enclosed as Annexure 3. Suitable recommendations have to be made.

### **9. Vendor Evaluation Procedure**

The company shall exercises due care, skill, and diligence in the selection of the third party to ensure that the third party has the ability and capacity to undertake the provision of the service effectively.

The Department intending to engage the vendor for outsourcing shall put up the proposal along with the necessary documents to the Outsourcing Committee. The arrangement will be examined by the Committee on the following lines:



- a. Determine whether the outsourcing arrangement complies with the necessary regulatory guidelines.
- b. Determine whether the outsourcing arrangement complies with the necessary Labour/Statutory laws of the jurisdiction.
- c. Determine the clauses to be put in to the Service Level Agreement to be signed with the vendor.

The template enclosed as Annexure 4 will be used to scrutinize and decide on the above requirements related to outsourcing arrangement.

#### **10. Approval Procedure**

The Department will forward the proposal note for the outsourcing arrangement to be implemented to Compliance Department. On receipt of the note, a meeting will be scheduled with the dept. proposing the activity with the Committee members. The drafts of the minutes of the meeting will be circulated to all the members present in the meeting for obtaining their concurrence on the same. The minutes of the meeting will also contain the comments of the committee laying down several guidelines which the dept. has to comply with when the activity is outsourced. Subsequently the minutes will be signed by all the attendees and put up to the committee for approving the arrangement and final sign off. The approval will be conveyed to the dept.

#### **11. Monitoring and Control of Outsourced Activities (Outsourcing risk management programme).**

**11.1.** To have in place, a management structure to monitor and control its outsourcing activities. It should be ensured that outsourcing agreements with the service provider contain provisions to address their monitoring and control of outsourced activities.



**11.2** A central record of all material outsourcing that is readily accessible for review by the Board and senior management should be maintained. The records should be updated promptly and reviews should be placed before the Board. Such records may also form part of the corporate governance review by the management of the company.

**11.3.** Regular audits by either the internal auditors or external auditors should be conducted to assess the risk management system/practices adopted in overseeing and managing the outsourcing arrangement, the outsourcing policy, compliance with the requirements of the regulators.

**11.4.** The company shall periodically review the financial and operational condition of the service provider to assess its ability to continue to meet its outsourcing obligations on an annual basis. Such due diligence reviews, which can be based on all available information about the service provider should highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness.

The committee that is empowered to the review will consist of



Name of the Department	Authorised Signatories for conveying approval	Role of each Committee Member
Risk & Compliance		Material Outsourcing Risk assessment and specifying risk mitigants. Examine the regulatory impact and list out the regulations to be complied with.
Human resources		Examine the impact under Labour laws and convey appropriate guidelines.
Operations		Examine the requirement & to lay the scope of the activities to be outsourced.
Business Operations		Examine the requirement & to lay the scope of the activities to be outsourced.
Information Technology		Examine the IT requirement & to lay the scope of the activities to be outsourced.





The quorum for the committee meeting shall be three members

## **12. Reporting of transactions to FIU or other competent authorities.**

It should be ensured that Suspicious Transactions/Reports are reported to **FIU** or any other competent authority in respect of the activities carried out by the service providers.

## **13. Off-shore outsourcing of Financial Services.**

**13.1.** The engagement of service providers in a foreign country exposes THE COMPANY to country risk- economic, social and political conditions and events in a foreign country that may adversely affect the company. Such conditions and events could prevent the service provider from carrying out the terms of its agreement. To manage the country risk involved in such outsourcing activities, government policies and political, social, economic and legal conditions in countries where the service provider is based, during the risk assessment process and on a continuous basis, should be taken into account and closely monitored. In principle, arrangements should only be entered into with parties operating in jurisdictions generally upholding confidentiality clauses and agreements. The governing law of the arrangement should also be clearly specified.

## **14. Self Assessment of Existing/Proposed Outsourcing Arrangements.**

A self-assessment of company's existing outsourcing agreements should be conducted to bring them in line with the SEBI guidelines.

The company shall make an assessment of outsourcing risk which depends on several factors, including the scope and materiality of the outsourced activity, etc. The factors that could help in considering materiality in a risk management programme include:



- a. The impact of failure of a service provider to adequately perform the activity on the financial, reputational and operational performance of the company and on the investors / clients;
- b. Ability of the company to cope up with the work, in case of non performance or failure by a service provider by having suitable back-up arrangements;
- c. Regulatory status of the service provider, including its fitness and probity status;
- d. Situations involving conflict of interest between the company and the service provider and the measures put in place by the company to address such potential conflicts, etc.

### **15. Outsourcing within the Group**

The risk management practices while outsourcing to a related party (i.e. party within the Group) would be identical to those specified in these guidelines.

While there is no prohibition on a group entity / associate of the Company to act as the service provider, systems shall be put in place to have an arm's length distance between the company and the service provider in terms of infrastructure, manpower, decision-making, record keeping, etc. for avoidance of potential conflict of interests. Necessary disclosures in this regard shall be made as part of the contractual agreement. The risk management practices expected to be adopted by the company while outsourcing to a related party or an associate would be identical to those followed while outsourcing to an unrelated party.



## **16. Exclusions**

These guidelines are concerned with managing risks in outsourcing of business services and are not applicable to the activities that are in the nature of administrative support activities like background verification of employees, pay roll processing, printing of identity cards and visiting cards of employees, maintenance of air conditioners and computer hardware and software, scanning, upload and storage of documents, usage of courier, catering to staff, housekeeping, security of the premises, movement of records, miscellaneous activities handled from the company's premises by temporary staff etc.

## **17. Process for Termination of Services by the Service Provider**

An arrangement with the service provider may be terminated on the following grounds:

- a. Poor performance vis a vis the agreed performance standards
- b. Number of errors committed
- c. Frauds committed
- d. Breach in maintenance of customer data confidentiality
- e. Violation of compliance requirements
- f. Poor financial condition of the service provider
- g. Risk review indicating the activity to be too risky to be outsourced any longer
- h. Cost of outsourcing very high compared to the total operating cost of the unit to continue the arrangement in house.
- i. Bad market reputation of the service provider during the contract period
- j. Any other compelling reasons which is detrimental to the company's interest.



## **18. Review of the Policy.**

The policy will be reviewed at yearly intervals or as and when considered necessary by the Board of Directors. The Outsourcing Committee to identify new material outsourcing risks or any adverse developments, which may arise and report to the Board, so as to get further direction, if any.





Annexure 1

**Procurement of Service Provider**

Where the overall contract value of outsourcing is Rs. \_\_ lacs or more, the proposer has to submit the Service Provider Application Form along with the documents as below.

<b>SERVICE PROVIDER APPLICATION FORM</b>	
<b>A. DETAILS OF THE SERVICE PROVIDER</b>	
Name	
Office Address	
Contact Information:	
Telephone No.	
Fax No.	
Email	
Name of the Contact Person	
Constitution	Sole Proprietorship/Partnership/Company
Line of Business	
List of Mandatory Documents enclosed related to the constitution and financial soundness of the entity	



List of Authorised Signatories	
Identity Proof of the authorized signatory	
Signature of the authorized signatory of the service provider	
<b>B. CONFIRMATION UNDER VARIOUS STATUTORY ACTS</b>	
PAN available	Yes/NO
Service Tax Registration	Yes/NO
Reg. under Contract Labour Act	Yes/NO
ESIS Reg.	Yes/NO
EPF Reg.	Yes/NO
Shops and Establishment Act	Yes/NO
Payment of Bonus Act	Yes/NO
Minimum Wages Act	Yes/NO
Payment of Gratuity Act	Yes/NO
Any other license/reg./certification	
Signature of the authorized signatory of the service provider	



(Pl. attach necessary documentary proof)	
<b>C. OTHER DETAILS</b>	
Two references with contact information	
Prior/Existing Service provider relationship with the company/ Group.	
Existing/Potential litigation against the concern.	
Is the Proprietor/Partners/Directors owned or controlled by any director or officer/employee of the company/Group or their relatives?	
Signature of the authorized signatory of the service provider	
<b>D. COMPANY PROFILE</b>	
Please specify brief background of the concern/company, business, experience, competence etc.	

**E. PROCESS FLOW OF THE ACTIVITY TO BE HANDLED**

Activity(ies) to be handled:

Detailed Process Flow:

(Please include flow of the activity, security, control features, reporting and monitoring procedure, maintenance of customer data confidentiality)

Business Continuity Plan of the Service Provider

Does the activity to be handled is of time critical nature?

Will you be operating from THE COMPANY's premises or own premises?

Will you be accessing THE COMPANY provided infrastructure or own infrastructure? If own, then pl. provide details.

Will you be accessing THE COMPANY's branding materials?

Do you provide similar services to other brokers? If yes,pl. provide details



<b>F. DECLARATION</b>
I confirm that all the particulars given herein/above are true and correct.
Name of the Service Provider:
Name of the Authorised Signatory:
Signature:
Date:
Company Seal:

### **Mandatory Documents**

The following mandatory documents (certified true copies) will be used to establish the authenticity of the entity, financial soundness and to ascertain the authorized signatories.

<b>Constitution of the service provider</b>	<b>Identity Proof</b>	<b>Financials</b>
Sole Proprietorship Concern	i. PAN card ii. Service Tax Reg. No.	i. IT Returns ii. P&L Statement (2 years)
Partnership Firm	i. Pan card of the firm/Key Partner ii. Partnership Deed iii. Service Tax Reg. No.	i. IT Returns ii. P&L Statement (2 years)
Company	i. MOA/AOA/Certificate of Incorporation ii. Service Tax Reg. No. iii. PAN card of Company iv. Board Resolution empowering the company to enter into contract for providing the services.	i. IT Returns ii. P&L Statement (2 years)



Identity & Signature Proof of the authorized signatory	Pan Card/Passport	

Annexure 2

<b>SERVICE PROVIDER VERIFICATION REPORT</b>	
Name of the proprietor/partner/director interviewed	
Interviewed on	
Interviewed by	
Service Provider Premises visited on	
Visited by	

	Comments of the visiting official
Operating Office Address of the Service Provider which was visited	
Alternate Site address which was visited	
Infrastructure Verification	
Manpower check	
Check on Due Diligence Procedure adopted	
Check on Training facilities	
Check on maintenance of customer data confidentiality	
Check on facilities for storage of records	
Signature of visiting official	

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Annexure 3

**OUTSOURCING APPROVAL REQUERST FORM**

Date of Proposal
Request for empanelment of M/s.
Activity to be handled
Objective of the arrangement
Recommendation



Name, Designation and Signature of the Proposer

Annexure 4

**TEMPLATE FOR EVALUATION OF SERVICE PROVIDER BY THE  
OUTSOURCING COMMITTEE**

Name of the Department:

Name of the Service Provider:

Name of the activity to be outsourced:

Sl. No.	Factors to be examined	Feedback received from the Department
1	Service Provider status	Proprietorship firm/Partnership/Pvt Ltd company/Public Limited company/others
2	Past Experience/Competence of the Service Provider in handling the proposed activity. Whether the Service Provider will be able to perform the outsourcing work within the timelines fixed;	
3	Business Reputation and culture as gathered from Market sources. Market feedback of the prospective service provider's business reputation and track record of their services rendered in the past;	

4	Resources and capabilities including Financial Soundness of the Service Provider. Compatibility of the practices and systems of the Service Provider with the company's requirements and objectives;	
5	Any outstanding/potential litigation against the Service Provider which may affect its performance	
6	Security & Internal Control Whether the outsourcing will result in concentration of the outsourced arrangements with a single service provider;	
7	Reporting and Monitoring Environment	
8	Due Diligence measures adopted by the Service Provider	
9	Business Continuity Plan of the Service Provider	
10	Maintenance of Customer data confidentiality	
11	Impact of external Factors (eg. Political, economic, social and legal environment). In case of the service provider is based outside india, the environment of the foreign country where the service provider is located.	
12	Exit Strategy of the Dept.	
<b>For Existing Service Provider</b>		
1	Whether any complaints outstanding against the same.	
2	Comments on Performance for the activity already being handled	



3	Any loss suffered by THE COMPANY on account of malpractice at the Service Provider end
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## **ACHIEVERS EQUITIES LTD.**

### **Internal policy w.r.t NISM Series VII - Securities Operation & Risk Management (SORM)**

#### **Brief:**

'SEBI issued Notification according to which, following categories of associated persons Persons associated with a registered stock broker / trading member / clearing member in any recognized stock exchanges, who are involved in, or deal with any of the following

- (a) Assets or funds of investors or clients
- (b) Redressal of investor grievances
- (c) Internal control or risk management
- (d) Activities having a bearing on operational risk

shall be required to have a valid certificate of NISM Series VII \_ operation & Risk Management (SORM) from (NISM). NSE & BSE has also issued circulars requesting the to comply with the requirement of said SEBI Notification.

#### **Need for Policy :**

Achievers Equities Ltd. (hereinafter referred to as "AEL") being a stock broker of National Stock Exchange of India (NSE), Bombay Stock Exchange (BSE) and provisions of the aforesaid requirement is applicable to all its employees involved in the activities as mentioned above .

#### **Definition of Associated Person:**

"Associated Person" means a principal or employee of an intermediary or an Agent or distributor or other natural person engaged in the securities business and includes an employee of a foreign institutional investor or a foreign venture capital investor working in India.

### **Internal Policy w.r.t NISM Series VII Securities Operation & Risk Management (SORM)**



As required in the aforesaid notification of SEBI, All existing persons associated with "AEL" as on date of publication and engaged in deal with

- (a) Assets or funds of investors or clients
- (b) Redressal of investor grievances
- (c) Internal control or risk management
- (d) Activities having a bearing on operational risk

Shall obtain the valid certification of NISM Series VII - Securities Operation and Risk Management (SORM) within two years from the date of such notification. Simultaneously, whenever "AEL" employs any associated person Specified as mentioned above, the said associated person shall obtain valid Certification of NISM Series VII - Securities Operation and Risk Management (SORM) within one year from the date of his or her employment.

**Exemption:**

Associated persons handling the basic clerical / elementary functions in the aforesaid specified areas shall be exempted from obtaining the certification of NISM Series VII - Securities Operation and Risk Management (SORM).

For this purpose, "AEL" considers following activities as basic elementary level / clerical level1.

**Internal Control or Risk Management**

1. Inwarding of collateral's / Cheques
2. Person performing market entries
3. Maker entry in the database
4. Photocopying, printouts, scanning of documents
5. Preparing of MIS
6. Sending of letters / reports to clients, Exchanges, SEBI
7. Attending Calls, etc.

**Redressal of Investor Grievances**

1. Inwarding of complaints
2. Seeking documents from clients
3. Person performing maker entries



4. Maker entry in the database
5. Photocopying, printouts, scanning of documents
6. Preparing of MIS
7. Sending of letters / reports to clients, Exchanges, SEBI Updation, data entry, uploading on SCORES
8. Attending calls, etc

**Activities having a bearing on operational risk and dealing with assets of funds of investors of clients**

1. Person performing maker entries
2. Maker entry in the database
3. Preparing of MIS
4. Generating of reports, Files
5. Photocopying, printouts, scanning of documents
6. Dispatching documents to clients
7. Sending of letters / reports to clients, Exchanges, SEBI
8. Attending calls, etc

However, any of the work (as stated herein above) being performed by such persons, obtaining NISM-SORM Certification shall be optional Provided that they are supervised by his / her supervisor who shall have to obtain / continue to have NISM - SORM Certification or such other prescribed certification at all times.

In case of any Query, employees are requested to obtain clarification from the Compliance Officer of the Company.





Achiievers Equities Ltd

## **Policy on Management of Conflict of Interests**

### **Index**

1. Introduction
2. Policies and Internal Procedures to Identify and avoid or to Deal or manage actual or potential Conflict of Interest
3. Internal code of conduct governing operations
4. Standards of appropriate conduct in the performance of the activities,
5. Communication of policies, procedures and code to all concerned
6. Implementation and Review of policy of management on Conflict of Interest

### **1. Introduction**

SEBI vide its circular no. CIR/MIRSD/5/2013 dated August 27, 2013 issued a General Guidelines for dealing with Conflicts of Interest of Intermediaries, Recognized Stock Exchanges, Recognized Clearing Corporations, Depositories and their Associated Persons in Securities Market. SEBI decided to put in place comprehensive guidelines to collectively cover such entities and their associated persons, for elimination / avoidance of their conflict of interest and educating the Associated Persons as defined in Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 for the compliance of the guidelines. SEBI advised to lay down, with active involvement of senior management, policies and internal procedures to identify and avoid or to deal or manage actual or potential conflict of interest, develop an internal code of conduct governing operations and formulate standards of appropriate conduct in the performance of their activities, and ensure to communicate such policies, procedures and code to all concerned;

SEBI guidelines intends Intermediaries and their Associated Persons to comply with the following –

- high standards of integrity in the conduct of business;
- fair treatment of clients and no discrimination amongst them;
- avoidance of conflict of personal interest with the client and primacy of clients' interest;
- appropriate disclosure to the clients of possible source or potential areas of conflict of interest;
- reducing the opportunities for conflict through prescriptive measures;
- appropriate restrictions on transactions in securities while handling a mandate of issuer or client;
- not to deal in securities while in possession of material non published information;
- not to communicate the material non published information
- not to manipulate the demand for, or supply of, or to influence prices of, securities.
- not to have an incentive structure that encourages sale of products not suiting the risk profile of the clients;
- not to share client information for the personal interest;

This document sets out the Policy on management of Conflict of Interest for Achiievers Equities Ltd (AEL), with intent to define a policy and procedure for dealing with Conflict of Interest and to effectively



manage any conflicts of interest that may arise in carrying out its business. Senior Management is responsible for ensuring that the Company's systems, controls and procedures are adequate to identify and manage conflicts of interest.

## **2. Policies and Internal Procedures to Identify and avoid or to deal or manage actual or potential Conflict of Interest**

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### Policy and the objectives

AEL policy on Conflict of Interest is defined as under-

In order to strive for achieving management of conflict of interests, AEL shall endeavor-

- To promote high standards of integrity in the conduct of business
- To ensure fairness of dealing with clients
- To guide for identification, elimination or management of conflict of interest situations
- To provide a mechanism for review and assessment of the policy(ies) on conflict of interests

The conflict of interest policy aims to ensure that the Company's clients are treated fairly and at the highest level of integrity and that their interests are protected at all times. It also aims to identify conflicts of interest between:

- The Company and a Client
- Relevant Person and a Client
- A Company of the Group and a Client
- Two or more Clients of the Company in the course of providing services to these Clients
- A Company service provider and a Client

In addition it aims to prevent conflicts of interest from adversely affecting the interest of its Client.

AEL Conflicts of Interest Policy sets out how:

- The Company will identify circumstances which may give rise to conflicts of interest entailing a material risk of damage to our Clients' interests;
- The Company has established appropriate mechanisms and systems to manage those conflicts;
- The Company maintains systems designed to prevent damage to our Clients' interests through identified conflicts.

### “Intermediary” and “Associated Person”

Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations,

2007 defines the term “intermediaries” and “associated persons”. Accordingly, “intermediary” means an entity registered under SEBI Act and includes any person required to obtain any membership or approval from a stock exchange or a self-regulatory organization; and “associated person” means a principal or employee of an intermediary or an agent or distributor or other natural person engaged in the securities business and includes an employee of a foreign institutional investor or a foreign venture capital investor working in India;



## “Conflict of Interest”

Conflicts of Interest can be defined in many ways, including any situation in which an individual or corporation (either private or governmental) is in a position to exploit a professional or official capacity in some way for their personal or corporate benefit. A conflict of interest is a manifestation of the moral hazard problem, particularly when a financial institution provides multiple services and the potentially competing interests of those services may lead to a concealment of information or dissemination of misleading information. A conflict of interest exists when a party to a transaction could potentially make gain from taking actions that are detrimental to the other party in the transaction.

### Identification of Conflicts of Interests

The Company shall take adequate steps to identify conflicts of interest. In identifying conflicts of interest, the Company will take into account situations where the Company or an employee or a Relevant Person:

- Is likely to make a financial gain, or avoid a financial loss, at the expense of the Client;
- Has an interest in the outcome of a service provided to the Client or of a transaction carried out on behalf of the Client, which is distinct from the Client’s interest in that outcome;
- Has a financial or other incentive to favour the interest of one Client over another;
- Carries out the same business as the Client; or
- Receives from a person other than a Client an inducement in relation to a service provided to a Client, in the form of monies, goods or services, other than the standard commission or fee for that service.

### Potential Conflict of Interest

In order to avoid, manage or deal with conflict of interest with the intermediary or the Associated Persons, it is important to identify the possible areas of conflict of interest. AEL lists out the following potential conflict of interest that may affect the company.

- i. Directorships or other employment;
- ii. interests in business enterprises or professional practices;
- iii. Share ownership;
- iv. Beneficial interests in trusts;
- v. Personal Account Trading;
- vi. Professional associations or relationships with other organizations;
- vii. Personal associations with other groups or organizations, or family relationships;
- viii. Front running;
- ix. Rebates;
- x. Kickbacks;
- xi. Commission;
- xii. Where the company carries on the same business as a client;
- xiii. Where the company designs, markets or recommends a product or service without properly considering all our other products and services and the interest of all our clients;
- xiv. Where the company has a financial or other incentive to favour the interest of another client or group of clients over the interests of a client;
- xv. Where the company has an interest in the outcome of a service provided to, or of a transaction carried out on behalf of, a client which is distinct from that client’s interest in that outcome;



- xvi. Where the company is likely to make a financial gain or avoid a financial loss at the expense of a client; and
- xvii. Where the company receives, or will receive, from the person other than a client an inducement in relation to the service provided to that client in the form of monies, goods or services, other than the standard commission or fee for that service;

#### Measures to avoid or to deal or manage actual or potential Conflict of Interests

Should a conflict of interest arise, it needs to be managed promptly and fairly. The Company puts in place following arrangements to ensure that:

- i. There is a clear distinction between the different departments' operations;
- ii. No single person will gather conflicting information, thus counterfeiting or hiding information from investors is minimized;
- iii. The Company's employees are prohibited from investing in a financial instrument for which they have access to non-public or confidential information;
- iv. Transactions by the Company's employees are neither performed nor executed by themselves.
- v. Employees sign a contract of employment including confidentiality clauses. No associated person may disclose inside information to others, except disclosures made in accordance with the Company's policies and procedures, to other Company personnel or persons outside the Company who have a valid business reason for receiving such information;
- vi. Each department will control the flow of information where, otherwise, the risk of conflict of interest may harm the interest of a Client;
- vii. Relevant information is recorded promptly in a secure environment to enable identification and management of conflicts of interests;
- viii. Adequate records are maintained of the services and activities of the Company where a conflict of interest has been identified;
- ix. In certain jurisdictions appropriate disclosure may be made to the Client in a clear, fair and not misleading manner to enable the Client to make an informed decision;
- x. There is a periodic review of the adequacy of the Company's systems and controls.
- xi. Employees are required to avoid conflicts of interest with activities they undertake outside AEL.

#### Information barriers

The Company respects the confidentiality of information it receives regarding its Clients and operates a "Need to Know" approach and complies with all applicable laws in respect of the handling of that information. Access to confidential information is restricted to those who have a proper requirement for the information consistent with the legitimate interest of a Client of the Company. The Company operates internal organizational arrangements to avoid conflicts of interest by controlling, managing or restricting, as deemed appropriate, the flow of confidential information between different areas of business or within a specific division or department. In particular, Chinese Walls are a key tool for conflict of interest prevention, avoiding insider dealing and market manipulation risks. Furthermore, Chinese Walls can involve separation of premises, personnel, reporting lines, files and IT-systems and controlled procedures for the movement of personnel and information between the Company and any other part of the Company. The Company maintains permanent information barriers between different departments.



### Disclosure to clients of possible source or potential areas of conflict of interest (COI):

- i. AEL or its associated persons should, in writing, disclose to a client any COI in respect of that client including –
  - a. Measures taken to avoid or mitigate the conflict;
  - b. Any ownership interest or financial interest that the provider or representative may be or become eligible for;
  - c. The nature of the relationship or arrangements with a third party that gives rise to a COI in sufficient detail to enable the client to understand the exact nature of the COI.
- ii. AEL or its associated persons should, in writing, inform a client of the policy on Management of Conflict of Interest and how it may be accessed.
- iii. Intimation of an actual or potential COI should be made to a person with responsibility for the issue or area, such as the relevant management team, head of the department or key individual.
- iv. In accordance with an employee's obligation to act in the best interest of AEL, it is not permissible for employees to engage in conduct that would amount to a COI with AEL.
- v. Staff that fail to disclose a potential or actual COI in accordance with this policy may be liable to disciplinary procedures.
- vi. Where a conflict arises AEL or its Associated Persons will, if it is aware of it, disclose it to a client prior to undertaking trading activity for that client or, if the company does not believe that disclosure is appropriate, to manage the conflict, the company may opt not to proceed with the transaction or matter giving rise to the conflict.
- vii. Where there is no other way of managing a conflict, or where the measures in place do not sufficiently protect Clients' interests, the conflict will be disclosed to allow the Client to make an informed decision on whether to continue using our service in the situation concerned.
- viii. AEL may decline to act for a Client in cases where we believe a conflict of interest cannot be managed in any other way.

### Policies and procedures

The Company has developed and implemented policies and procedures throughout its business to prevent or manage potential conflicts of interest. Our employees receive guidance and training in these policies and procedures, and they are subject to monitoring and review processes.

### Procedure to comply with the policy

- i. Every staff member must have a copy of the Policy on management of Conflicts of Interest.
- ii. If a potential COI arises, the transaction must first be discussed with management before entering into the transaction.
- iii. All new employees shall be required to declare their outside interests when they join the firm.
- iv. All staff maintaining personal trading accounts outside of the company are required to instruct their broker to send copy contract notes and periodic statements to the company for reconciliation purposes.



- v. The company Conflict of Interest Policy is located on the website [www.achieversequitiesltd.com](http://www.achieversequitiesltd.com) and is subject to annual review.

### Inducements

The Company does not offer, solicit or accept any inducements, other than the following:

- the fee, commission or benefit which is disclosed to a client, prior to the provision of the relevant service; and
- it is designed to enhance the quality of the relevant service to a client and in line with the Company's duty to act in the best interests of a client.
- Proper fees for the provision of investment services, such as custody costs, settlement and exchange fees, regulatory levies or legal fees, and which cannot give rise to conflicts with the Company's duties to act honestly, fairly and professionally in accordance with the best interests of its clients.

### Consequences of non-compliance with the policy

- Non-compliance with this policy and the procedures described in it may be considered to be misconduct and may be subject to disciplinary action

### **3. Internal code of conduct governing operations**

AEL and Associated Persons shall abide by the Code of Conduct contained in the Schedule II of the Securities and Exchange Board of India (Stock-Brokers and Sub-Brokers) Regulations, 1992, as amended, for accomplishment of the objectives of the SEBI Code.

### **4. Standards of appropriate conduct in the performance of the activities,**

AEL and its Associated Persons shall adopt the following standards of appropriate conduct in the performance of the activities.

- i. To place the client's interests first: Placing the client's interests first is a hallmark of professionalism, requiring AEL and its Associated Persons to act honestly and not place personal gain or advantage before the client's interests.
- ii. To provide business services with integrity: Integrity requires honesty and sincerity in all business matters. AEL and its Associated Persons are placed in positions of trust by clients, and the ultimate source of that trust is the AEL and its Associated Persons' personal integrity, both in the letter and the spirit.
- iii. To provide business services objectively: Objectivity requires intellectual honesty and impartiality. Regardless of the services delivered or the capacity in which AEL and its Associated Persons functions, objectivity requires AEL and its Associated Persons to ensure the integrity of their work, manage conflicts and exercise sound commercial and professional judgment.
- iv. To be fair and reasonable in all business relationships & to disclose and manage conflicts of interest: Fairness requires providing clients what they are due, owed or should expect from a business relationship, and includes honesty and disclosure of material conflicts of interest. It involves managing one's own feelings, prejudices and desires to achieve a proper balance of interests. Fairness is treating others in the same manner that you would want to be treated.



- v. To act in a manner that demonstrates exemplary professional conduct: Professionalism requires behaving with dignity and showing respect and courtesy to clients, fellow business associates, and others in business-related activities, and complying with appropriate rules, regulations and business requirements. Professionalism requires AEL and its Associated Persons, individually and in cooperation with peers, to enhance and maintain the AEL's public image and its ability to serve the public interest.
- vi. To maintain the abilities, skills and knowledge necessary to provide business services competently: Competence requires attaining and maintaining an adequate level of abilities, skills and knowledge in the Provision of business services. Competence requires AEL and its Associated Persons to make a continuing commitment to learning and business services improvement.
- vii. To protect the confidentiality of all client information: Confidentiality requires client information to be protected and maintained in such a manner that allows access only to those who are authorized. A relationship of trust and confidence with the client can only be built on the understanding that the client's information will not be disclosed inappropriately.
- viii. To provide business services diligently: Diligence requires fulfilling business commitments in a timely and thorough manner, and taking due care in planning, supervising and delivering business services.

#### **5. Communication of policies, procedures and code to all concerned**

This Policy on management of Conflict of Interest offers general guidance in addition to AEL policies and procedures and is not meant to replace any of those policies or procedures and shall be made available through AEL website [www.achieeversequitiesltd.com](http://www.achieeversequitiesltd.com) or by sending a request in writing. AEL expects all its associated persons, employees, to adhere to this policy. The Board of Directors of Achiievers Equities Ltd reserves the right to amend, supplement or discontinue this policy and the matters addressed herein, without prior notice, at any time.

#### **6. Implementation and Review of policy of management on Conflict of Interest**

This policy shall come into effect from the date of approval of the Board of Directors of the company for its implementation so as to provide necessary guidance enabling identification, elimination or management of conflict of interest situations and that the same shall be reviewed and assessed annually by the company management.



**Overview:**

This Surveillance policy is framed on the basis of NSE Circular No.NSE/INVG/22908 dated March 7, 2013. This policy focuses on Surveillance on different areas as a control and discusses the benefits and objectives of surveillance, the types of audit trails, and some common implementation issues.

**Objective:**

The objective of this policy is to have in place an effective market surveillance mechanism to ensure investor protection and to safeguard the integrity of the markets. The goal of surveillance is to spot adverse situations in the markets and to pursue appropriate preventive actions to avoid disruption to the markets. The fairness of the markets is closely linked to investor protection and, in particular, to the prevention of improper trading practices. This monitoring is required to analyze the trading pattern of the clients in order to observe whether any transaction (buying / selling) done intentionally, which will have an abnormal effect on the price and / or volumes of any share, which is against the fundamental objective of the Securities Market.

**Background:**

National Stock Exchange vide circular no. NSE/INVG/22908 dated March 7, 2013, intimated that the Exchange would be downloading the following alerts based on the trading activity of the client for facilitating the effective surveillance mechanism and directed the stock brokers to frame a surveillance policy for the same. The surveillance policy shall cover the maintenance and disposition of alerts received from exchanges/generated at our end.

Sr No	Transactional Alerts	Segment
1	Significant increase in client activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Clients/Group of Client(s), deal in common scrips	Cash
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips	Cash
5	Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash
6	Client / Group of Client(s) Concentration in a scrip	Cash
7	Circular Trading	Cash
8	Pump and Dump (Pump-and-dump” involve the touting of a company’s stock (typically small, so-called “microcap” companies) through false and misleading statements to the marketplace.)	Cash
9	Wash Sales ( A wash sale is trading activity in which shares of a security are sold at a loss and a substantially identical security is purchased)	Cash & Derivatives
10	Reversal of Trades	Cash & Derivatives



11	Front Running (Execution of orders in a security for its own account by the member while taking advantage of advance knowledge of orders from its customers)	Cash
12	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
13	Order book spoofing i.e. large orders away from market	Cash

### Terms used in this Policy:

Alerts: Referred as transactional alerts arising due to sudden significant increase in client activity, sudden trading activity in inactive/dormant accounts, clients/groups of clients dealer in common scrips, illiquid scrips, minimum lot size/or single scrip, large orders away from the market, concentrated position in the open interest/high turnover concentration, circular trading, pump and dump, wash sales, reversal of trades, front running.

### Transactional alerts:

In accordance with the circular no.NSE/INVG/22908 dated March 7, 2013 issued by National Stock Exchange and in order to maintain the records of the transactional alerts received from exchanges or generated at our end, the following steps would be taken to review and dispose the alerts

1. Review the type of alert downloaded by exchange or generated at our end
2. Financial details of the client
3. Past trading pattern of the clients/client group
4. Bank/Demat transaction details
5. Other connected clients having common email/mobile number/address or any other linkages etc.
6. Other publicly available information

On receipt of the above information, analyze the alerts generated and in case of any adverse findings/comments, the same shall be communicated to the Exchange within 45 days from the alert generation.

In case analysis is taking time due to complexity, an extension may be taken from the exchange to review the alert(s).

In order to have in-depth analysis of the above transactional alerts, the following due diligence shall be taken:

### Client(s) Information:

Due Diligence of client(s) would be done on a continuous basis. Client information should be updated at least once a year through periodic review. Financial information also needs to be updated for all active clients and the following relevant documents pertaining to financial details to be obtained from clients.

Copy of ITR Acknowledgement



Copy of Annual Accounts

Copy of Form 16 in case of salary income

Net worth certificate

Salary Slip

Bank account statement for last 6 months

Copy of Demat account holding statement.

Any other relevant documents substantiating ownership of assets.

Self declaration along with relevant supporting.

Addition/ Modification of any parameter (correspondence address, contact details, email id, bank and beneficiary accounts) relating to client should also be updated immediately in the UCI database of exchange and the same shall be updated in back office also.

Based on the above information/documents, identification of groups / association amongst clients to identify multiple accounts / common account / group of clients would be established.

Groups to be formed on the basis of details of family/ group/ associate provided by clients during their registration or at the time of periodic review and on the basis of any authorization submitted by the client for adjustment of their balances.

### **Analysis:**

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scrips identified based on the alerts received from the Exchange, the following information shall be sought from clients:

Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions. Letter/ email to be sent to client asking the client to confirm that client has adhered to trading regulations and details may be sought pertaining to funds and securities and other trading pattern.

Seek documentary evidence such as Bank Statement / Demat Transaction Statement or any other documents to support the statement provided by client.

In case of funds, Bank statements of the Client(s) / Group of Client(s) from where funds pay-in have been met, to be sought. Sources of funds in the bank statements to be verified. In case of securities, Demat account statements of the Client(s) / Group of Client(s) from where securities pay-in have been met, to be sought.

The period for such statements may be at least +/- 15 days from the date of transactions to verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.



After analyzing the documentary evidences, including the Bank / Demat statement, the observations shall be recorded for such identified transactions or Client(s) / Group of Client(s). In case of adverse observations, the same will be reported to the Exchange within 45 days of the alert generation. Extension of the time period from the Exchange will be sought, if required.

In case the client does not cooperate or does not revert within reasonable period, Exchange to be informed based on the information available with the member.

### **Monitoring and Reporting:**

The surveillance process shall be conducted under overall supervision of Compliance Officer and based on facts and circumstances he/she is required to take adequate precaution.

Designated directors / Compliance Officer would be responsible for all surveillance activities carried out by the Trading Member and for the record maintenance and reporting of such activities.

### **Review Policy:**

This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs.

### **Policy communication:**

A copy of the approved policy shall be made available to Compliance Team, Head of risk and Head of Operations.