

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

### **1. Introduction**

Lotusdew Securities Private Limited, is a SEBI registered broker and a trading member of the National Stock Exchange of India Ltd. (NSE). The Lotusdew Securities Private Limited has adopted various policies & procedures for internal control measures & tools for compliance of various Acts, rules & regulations of the Exchanges.

### **A. CLIENT REGISTRATION POLICY**

- The onboarding form with the Know Your Client (KYC) and Risk disclosure document (RDD) should be signed by the client. The required documents should be collected from the clients.
- Thorough checking by back office in charge including in-person verification, tallying the supporting documents with the original and interview of client.
- After Signature of the compliance officer on behalf of Lotusdew the new Client Code is allotted
- Assisting client with demat account opening with the depository participant.
- Uploading the client details to the NSE.
- On receipt of valid report, Confirming the codes allocated to clients the same is intimated over mail. Soft copy of KYC along with documents received from the client shall be sent to the client.
- Periodical Review of financial data
- Deactivation of Client Code on receipt of written documents from Client.
- Intimation in writing to Client regarding deactivation of client code & reason thereof

Walk in Clients: Lotusdew shall not entertain Walk In Clients.

Reactivation: In case of re-activation of UCC, the clients are also required to submit written request.

Maker & Checker Concept: The company appoints different person for checking onboarding form/data submitted by client and data entered in computer for uploading to master file & the Exchanges. Even after uploading of data, the compliance officer checks the data entered from the onboarding form.

Marketing Division: The company does not have any marketing division

Closure of Client Accounts/ Dormant Accounts: Clients accounts are closed either by client himself or action initiated by the company. On receipt of written request from the client, the deactivates the client code in its front & back office. Onboarding Form form is marked closed only after proper verification of client's ledger account & clearance received from accounts department regarding dues & margin. Moreover, email communication is also sent to client alerting closure of his account.

Client's accounts are also closed on action initiated by the company in the following cases:

- a. If client fails to meet his obligation within stipulated time or time provided by the company

- b. If clients fails to provide proper documents as required under SEBI/NSE rules & regulations even after repeated request by the company.
- c. If client is declared fugitive under any law in India or abroad.
- d. If client is declared insolvent under any law in India or any criminal cases are filed or pending and such information is not disclosed at the time of registration with the company

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

#### Politically Exposed Persons

PEPs or Politically Exposed Persons are individuals who are or have been entrusted with prominent public functions in India or a foreign country e.g. Heads of States or of Governments, Senior Politicians/Government/Judicial, important political officials etc.

Before accepting PEP as a customer, the Company will identify him/her and confirm the sources of funds. The decision to continue business relations with PEPs would be taken at Board level.

#### **B. TRADING POLICY:**

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

Dealers should be vigilant in executing the orders of the client. They should check & report to senior authorities if any client is giving order of abnormal quantity or rates.

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

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

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

Contract Note and Margin Statements: Contract note and Margin Statement are generated in our backoffice and automatically sent to client on the trade dates. All the log file is preserved properly for verification and resolving any non-delivery issue with the client.

#### **RECEIPT POLICIES**

1. NO CASH PAYMENT IS ACCEPTED
2. Cheques 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. 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.
5. High Value cheque received from clients must be deposited within stipulated time.
6. Payment received through Electronic Fund Transfer have to properly match with the bank details like payee name, payee account number provided by the client during the onboarding process. Only payments through the registered bank account shall be accepted as client funds.

## **MARGIN POLICY**

### **Capital Market Segment**

1. No Purchase order will be entertained unless 20% upfront margin or credit balance is lying in the client account.
2. If margin is specifically exempted to any client by the management, the same should be in writing.
3. Incase, where margin is exempted to any client, the payment must be received within 48 hours of the execution of the order or within 24 hours of delivery of contract note, whichever is earlier.
4. Sale order will be executed only on delivery of shares to 'Ben' account' before orders are executed unless management allows the shares to be sold before receipt of shares.
5. On non delivery of shares in time due to fault of client, auction charges alongwith 10% extra fine will be payable by the client.

### **Future & Option Segment**

1. No trading will be entertained unless up front margin is received in advance for value of trade to be executed on behalf of any client.
2. Margin will be accepted in 'Cheque' only unless management decides otherwise.
3. If margin is accepted in the form of shares, a haircut on and above 40% will be computed on the price at the day end. All short fall will have to be met immediately by the client in cash or before opening of next trading session, whichever is earlier. No letter or written communication in this regard will be sent to any client for shortage of margin. The client will be responsible for any shortage of his margin with us for his outstanding trades.
4. No complain will be entertained for squaring off of outstanding trades or liquidating of margin by the management in absence of short fall of margin at any stage by the client.

It will be sole discretion of the management to decide on 'spot' whether to square off outstanding trades of a client and margin be liquidated to meet the short fall.

5. Any amount payable on account of 'Mart to market' has to be paid in cash by the client before opening of next trading session. Amount paid must be in the form of clear bank balance or high value cheques given on the day of trade. If clear balance of margin/ MTM are not available, the management will at its sole discretion square off the trades of any client, which in its opinion can put the company or its other clients to unnecessary market risk.
6. The company reserves the right to liquidate a client's position, if the client fails to maintain proper margin with the client. Further, company also reserves the right to liquidate/neutralize a client's position in extra ordinary fall or rise in market price sensitive index, which in the opinion of the company may have a bearing on the future survival of the company and its business.

## **SECURITIES**

### **Collection of securities**

1. To ensure that clients are delivering the shares from their own account and all the deliveries to/from the clients correspond with the details provided by the client with their registration.
2. The statement should be checked with the securities obligation of the clients.
3. No credit to clients should be given even though shares received from third party has been delivered to clearing house due to any technical reasons beyond management's control. If client provides sufficient written proof of ownership of such account/share, than after updating client database, client may be given effect of the same.
4. The reports provided by Exchange should be used to check whether there is any short pay-in/ out of securities to/from Clearing Corporation.

### **INVESTOR REDRESSAL SYSTEM/ MECHANISM**

1. The company has a separate register for recording all clients related complain either received personally or via post or via email.
2. The company has also designated email ID for sending complain by its investors or clients. The email Id has been disclosed in the Onboarding Form sent to all clients at the time of registration as well as are mentioned on the website.
3. On receiving the complain, the Compliance officer is authorised to dispose off the complain on its merit and write personally to the client of all action taken by him for satisfaction of the client.
4. If the compliance deserves the attention of the higher management or if the compliance officer is unable to dispose off complain to the satisfaction of the client or the exchange or the SEBI, the designated directors are informed of the situation by the compliance officer and all documents are placed before them within seven days of the receipt of the complain.

5. The designated director's review the pending complains every seven days along with matters needed their attention.

## **BACKUP POLICY**

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

## **TREATMENT FOR HANDLING INACTIVE/DORMANT ACCOUNTS:**

1. The inactive accounts identified based on the above criteria shall be flagged as 'Inactive' by Lotusdew in UCC database of all the respective Exchanges and Back Office simultaneously.
2. All the accounts marked as "INACTIVE/DORMANT" will be monitored periodically by KYC/ops to avoid unauthorized transactions in the account.
3. Regulators may initiate appropriate disciplinary action in case if any trades are executed in any account flagged as 'Inactive'.
4. Once the code is deactivated with Dormant flag, trading code is removed from Trading terminal i.e client cannot trade, unless client start reactivation process.
5. In case if client initiate rekyc, system check client PAN Aadhar linking status and mandatory 6 attributes and once client confirm the 6 attributes, system will push the data to respective Exchanges to activate UCC. However, In case client is not KRA compliant Exchange does not allow client to trade. In such cases, clients are being communicated with KRA non-compliant status along with KRA validation link to initiate validation.
6. Actual settlement of fund shall be done as per norms/ guidelines provided by the xchanges/ SEBI from time to time.
7. The clients account would be reactivated only after undertaking proper due diligence process and fulfillment of such conditions as may be deemed fit, in the cases where the account has been freeze/deactivated. Fresh documentation, due diligence and IPV is to be carried out where the client is coming for reactivation after a period of 1 year of being flagged as inactive.
8. In case a client seeks re-activation before a period of 1 year of being flagged as inactive, while reactivating the client, LOTUSDEW will collect the basic details of such client like Address, Mobile number, Email ID, Bank/DP account and will check if these are updated in its records as well in the UCC records of the Exchange. In case of any changes, necessary documents shall be called upon.
9. Lotusdew will exercise appropriate due diligence of the client on an ongoing basis in compliance with the provisions of the PMLA guidelines issued from time to time and in accordance with respective KYC policies.
10. Further there won't be any requirement of IPV by Lotusdew, if,
  - Where the KYC of the investor is completed using the Aadhaar authentication / verification of UIDAI.

- When the KYC form has been submitted online, documents have been provided through Digi locker or any other source which could be verified online.

#### Activation process

- i. Call the main office from a registered telephone number (recorded line) identifying himself and request for activation of account for placing orders/ transacting in the account.
- ii. Request through Letter/Registered email Id/ recorded telephone lines may be impressed upon to reactivate the account or carry out fresh transactions in a dormant/inactive account.
- iii. Account inactive for not more than 1 year's can also activate through online by verifying existing KYC or client can update latest documents if required (Account will be activate in T+1 day as per exchange working day after verifying the documents)
- iv. Accounts inactive for more than 1 years can be activated through IPV and data confirmation i.e Re-kyc will be done.
- v. While reactivating the client, Lotusdew will check and ensure that the basic details of such client like Six mandatory attributes (Name, Pan, Address, E mail, Mobile, Income) and other details like Bank, DP account status, DOB, KRA, PAN-Adhaar Linking status, UCC linkage status & Family Declaration, PAN/Name mismatch cross verification with UCC/BO/DP are updated/rectified in its records as well in the UCC records of the Exchange. In case of any changes, necessary documents shall be collected.
- vi. KYC department may undertake additional due diligence if so required.
- vii. Once the reactivation is approved the client UCC will be marked as active on UCC portal across the Exchanges, it will be reactivated on back office and trading interfaces.

#### Treatment of client funds clients who are un traceable

In cases where Lotusdew is unable to trace such clients in spite of all efforts taken, the following steps shall be taken:

- i. The funds shall be parked in a separate Client Bank/ account designated for the purpose of safekeeping of funds of the untraceable client.
- ii. In case request received from the client for release of funds and/or will be transferred to his account after necessary due diligence.

#### Review Policy:

This policy may be reviewed as and when there are any changes introduced by any Regulatory authority or as and when it is evident to make necessary change on account of business needs and Risk Management policy.