

RISK MANAGEMENT & INTERNAL CONTROL POLICY

Preface:

This document shall be deemed to be as official guidelines, policies and procedures to be followed by JAYSUKHLAL JAGJIVAN STOCK BROKING PVT. LTD while carrying out its business activities as a Member of The Bombay Stock Exchange Ltd.

The objective of this document is to effectively manage the various risk involved in the business operations which may include default by clients, fraud and infidelity by employees, technological failures, misuse of trading system for market manipulations apart from protecting the interests of investors and ensuring the effective and timely compliance with various applicable Acts, rules, regulations, bye-laws, circulars and guidelines.

Manner of usage:

This document shall be used as guidelines and reference by the key personnel in charge of the activities namely client identification and introduction, surveillance, record keeping and the personnel in charge of executing and authorizing the day to day transactions as well as by the business associates such as Sub-Brokers, Remisiers, Authorised Persons etc. who are involved in the activities as mentioned above. The Compliance Officer (CO) shall provide the copy of this document to all such existing as well as new key Personnel and Business Associates from time to time and explain the contents and their responsibilities in this regard.

Risk Management & Internal controls:

1. Registration of Clients.

- a. It is a policy of the company to promote sub-broker based business model rather than direct registration of clients.
- b. The sub-brokers, Authorised Persons and Remisiers introducing their client shall carry out the due diligence of the prospective clients as to their financial standing, risk profile, past and present stock market as well as other business activities, their reference from commonly known person and shall evaluate suitability of the proposed nature of their dealings in the context of information gathered as above. The due diligence of the direct clients shall be on the same line by the key personnel of the company.
- c. In addition to the due diligence carried out by the intermediaries, the officials in charge of client registration at head office shall carry out further due diligence, if warranted, while verifying the KYC documents.
- d. KYC procedures as prescribed by SEBI/Stock Exchange/Depositories are to be strictly followed while ascertaining the identity and verifying the proof of address of the new clients.
- e. While opening the depository and trading account the title of the account shall be maintained in the same style and pattern as it appears on the PAN Card.
- f. At the time of account opening the name of the client may be searched through the Internet search engines and the results, if any may be reviewed in the context of past business activities and regulatory actions, if any.
- g. Identity Proof of Banking Account and Demat account shall be obtained before entering the details of bank and demat account in the client master database.

2. Receiving, validating & entering the orders of clients in the trading platform.

- a. Normally, the new clients shall be assigned and introduced to a specific terminal operator and the operator shall be briefed about client's requirements for trading, investments and his risk taking abilities. Accordingly the terminal operator shall, under instruction from the concerned senior official, allow the client to place the orders during the live market through written, oral or telephonic instructions.
- b. The sub-brokers and Remisiers, who are registered as terminal users with the exchanges, shall be allowed to operate the terminal and place the orders in the respective accounts and in the accounts of their clients on the basis of the risk profile of their clients and according to their written, oral or telephonic instructions.

3. Collection and Release of Payments to clients

- a. The client shall be asked to make the full payment as per the daily debit obligation on T+1 basis.
- b. The pay-out of funds shall be made on T+2 basis after confirming the successful pay-in of securities by the client.
- c. The exchange/segment wise segregated ledger account shall be maintained with an option to view the all exchange/segment merged position.
- d. Under written authorization from the client, the pay-out of funds can be retained for margins and/or future pay-in obligation and for collection and release of funds the account shall be maintained on a running account basis with all exchange/segment net balance criteria. The inter exchange/segment Journal Entry shall be passed on once in a week or when required.

4. Collection and maintenance of Margins.

- a. The requirement of collection and maintenance of margins in Cash/Capital Market segment is waived in general. However, after taking into account the conduct of the account, size and frequencies of trades, category of scripts and financial standing of the client, the directors/senior officials may decide to collect the margins in any form on a case to case basis.
- b. In case of the clients having relatively large volume and regular trading activities, the pay-out of funds and securities shall be retained towards the upfront and daily margins under the written authorization from the clients.

5. Collection and delivery of Securities to the clients.

- a. Collection of deliveries of securities from clients shall normally be called from the clients on T+1 basis.
- b. In case of delivery pay-in obligations of large quantity/value and/or illiquid scrip shall be called for prior to the execution of sell order or as early as possible after the execution of sell order and shall be tendered to the clearing house under early pay-in mechanism.

- c. Securities pay-in 'Over due Obligation' statement shall be generated one day as well as one hour prior to the pay-in schedule and a reminder shall be given to the respective clients.
- d. Deliveries of securities to the clients shall be effected within 24 hours from the pay-out and as far as possible the deliveries shall be given to the clients directly from the clearing house through upload of pay-out break-up files.
- e. In case of the clients who have given written authorization for retention of securities towards margin and/or future pay-in obligations, the pay-out securities of such clients shall be moved and retained in the separate BO account designated as 'Client Margin BO Account'.

6. Monitoring of Branches / Sub-Brokers /DP Operations etc.

- a. Monitoring of Branches / Sub-brokers shall be carried out centrally from head office.
- b. As our middle office and back office activities are centralized and in view of a very few number of branches, there are no requirements to set up the separate monitoring mechanism at branch levels. In case of sub-brokers their day-to day trading operations and obligations shall be monitored on-line through surveillance desk and off line through daily risk management reports.

7. Operations & Compliance Requirements.

- a. The day to day operations are being looked after by the senior directors Mr. Nitin J. Doshi.
- b. The on-line surveillance desk is to be monitored by either of these director where real time client wise / scrip wise position, M to M, Margin requirements, available margin and exposure limits will all exchange segment are monitored.
- c. Various types of limits on trading terminals are being set up and updated dynamically during the live market.
- d. As off line risk management reports are generated which enables to have a quick look at a glance for the status of any individual account or a group of account or for the clients of particular sub-brokers across all exchange/segment.
- e. The various compliance requirements of all the exchange/segments shall be ensured by the compliance officers under the supervision of the Executive Director Mr. Nitin J. Doshi.

8. Banking Operations and Payment of Dividend etc.

- a. All the bank account shall be reconciled on a regular basis by downloading the bank statements in electronic form from the websites of respective banks.
- b. The ECS credit of dividends shall be passed on immediately at the time of bank reconciliation through journal entry in the account of relevant clients.
- c. One competent employee dedicated for the banking operations shall remain present in or around the clearing bank and ensure the availability of sufficient funds in all the clearing and clients accounts.

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- d. The person in charge of banking operations shall monitor the returned cheque counter at the bank at every clearing schedule and intimate the head office immediately about the instances of return of deposited Cheques for the necessary follow-up actions.
- e. The instances of return of issued Cheques, if any shall be taken very seriously by the senior management and will investigate the reasons and take the required steps to avoid the recurrence of such instances in future.

9. Continuity planning / alternate plan in case of disasters etc.

- a. All the Information Technology infrastructure requirements shall be in charge of the Executive Director Mr. Nitin J. Doshi.
- b. There shall be sufficient and competent man power to manage the trading system failures during the live market.
- c. There shall be the back-up communication link in addition to the regular link for all the exchange segment and it shall be tested periodically.
- d. There shall be main line power input from two different routes and there shall be sufficient battery back-up through on-line UPS. Apart from that there shall be a system to quickly switch over to the power back-up through the mobile generator van in case of long power failures.
- e. In case of disaster, we can commence the operations from our any of two locations at any time since location have online connectivity, more over we keep back-up zeep, pen drive and cartridges with full data. All our data is loaded on our website which includes client transactions, contracts, ledgers, delivery statement etc. So we are well equipped with our internal system in case of disaster.
