

M.S.N.SECURITIES PVT.LTD.

POLICIES AND PROCEDURES

RISK MANAGEMENT POLICIES

Risk Management is the identification, assessment, and prioritization of risks followed by coordinated application of resources to minimize, monitor, and control the probability and/or impact of such risk.

The Policies given here are to manage/reduce the risks faced by the Company. Risks are of two kinds :

Macro ie those risks faced by all businesses in general and Stock Broking Business in particular

Micro ie those risks faced by the Company in day to day working or in the course of business.

The policies noted here are for the second category .

Risk Management at various levels are elaborated below :

1. **Acceptance of new Clients**
 - i No Walk in Clients are to be accepted .
 - ii Only those clients known to the management/employees or recommended by sub-brokers or existing clients.
 - iii New Clients with duly filled up and verified KYC forms with requisite details and supportings will be accepted.
 - iv The client will be satisfactorily interviewed in person by the management/employees. His financial status will be verified during the interview.

The person interviewing shall confirm that there are no blank spaces in the form . Email ID for sending ECN contracts shall be only filled up by the client. In case the client wants to opt for the ECN at a later date , written instructions should be received from the Client.
 - v Details mentioned in the KYC forms shall be updated from time to time.
 - vi. Client Registration shall not be outsourced .

- vii. Once the Client has been accepted the KYC Forms shall be sent to the back office and details will be duly uploaded for UCC and a Client registration Number generated. The date of UCC upload, shall be written on the form for the purpose of record and the Form shall then be sent to the system administrator for mapin in the ODIN package .
- viii. A welcome letter together with copy of the KYC shall be sent to the client and acknowledgement of the same shall be obtained for the purpose of records.
- ix. Once the mapin in the ODIN package takes place, the duly completed KYC Forms with all the attachments shall be filed Branchwise in alphabetical order . The files shall be stored separately . Retrieval of any KYC shall only be made by the Compliance Officer .

2. **Setting of Limits**

- i Based on the information given in the KYC forms or updated therein and dealings with the client Limits shall be set for every Client and reviewed from time to time.
- ii Limits shall be set for each dealer to reduce the risk of wrong punching.
- iii Limits are set for each branch/sub-broker's office
- iv The limits will be set in the ODIN package and monitored online by the Systems Administrator who will inform the Managing Director when the client/dealer/branch/sub-broker nears the limits so that the overall exposure in relation to the margin with the exchange is not exceeded and no individual takes a position which exceeds the limits allocated to him.
- v. For existing Clients the limit is reviewed on the basis of the client financials and his dealings with the Company.
- vi. Limits
For Terminals , Branches and Sub-brokers

Keeping in view the exposure available Limits are set by the Managing Director terminalwise/branchwise and sub-brokerwise.

The systems Administrator shall keep monitoring the limits during the market hours and inform the Managing Director of the limits used and balance available.

The Managing Director will communicate to the client/dealer/branch/sub-broker , note the requirements and the reason for additional limits if required.

In case the limits are to be changed he communicates with the system administrator.

3. Marketing

- i. Since the Company does not have any Marketing Division , Business Promotion shall be directly handled by the Managing Director. However generally the policy of the Company is that there will be no promotional schemes nor will the clients offered any freebies.

4. Closure Of Client Accounts/Dormant Account

a. Closure of Account

- i. A Client who proposes to close the account should inform the Company in writing.
- ii. On approval of the Managing Director, the system administrator will be informed for blocking the client's account so that no further trades can be made on account of that Client.
- iii. the back office will then check the status of his account for amount payable/receivable to/from him.
- iv. The Dmat Officer will then check up whether any securities are to be transferred to/from the client.

- v. All accounts will then be settled and confirmation in writing taken from the client.
- vi. The KYC of the Client will be marked 'Account Closed'
- b. **Dormant Account**
 - i. The account of any Client who has not traded on any of the segments on both the Exchanges in any of the segments for a period of 6 months should be marked Dormant.
 - ii. As soon as the account is reported as dormant ,the Managing Director is to be informed, who in turn will inform the system administrator and back Office to freeze/deactivate the Account .
 - iii. In case the client wants to reactivate the account , he should inform the Company in writing together with updation of his KYC details.
 - iv. The Managing Director on receipt the communication will approve and then inform the System Administrator to reactivate the account and for setting if trading limits.
 - v. The Back Office is then informed to reactivate the account with changes in his KYC information, if any.
 - vi. The Dmat Officer will also be informed and any changes in his DP information will also be taken on record.

5. **Client Code Modification**

Reasons for the modification of client codes

Client Codes Modification are allowed only for rectifying wrong punching of code.

As soon as the wrong punching of code is realized , it is informed to the Managing Director. In case it happens at a sub-broker's office , the sub-broker would inform the Managing Director. Both the clients are called and letters confirming the mistake are taken from both

Clients. Frequency of punching wrong client code are few but frequency of modification is monitored sub-brokerwise and operatorwise .Measures taken to reduce the modification of client codes. Modification of Client Codes are not frequent and monitoring sub-brokerwise and operatorwise are measures taken to reduce the modification of client codes.

6. ORDER BOOKING AND EXECUTION

- i. Only
registered Clients are allowed to place orders. Limits are assigned to each client by the Managing Director and on the basis of that there is online risk monitoring of orders. Only orders within the specified limits can be placed / executed. The Managing Director is immediately informed if any order in excess of the limit set is rejected .
Orders are taken on the telephone and fed into the system which are then executed immediately or as pending order. Confirmation of execution of the order shall be done on phone.
- ii. Each
terminal and dealer has also been given limits to avoid punching errors and for online risk management.
- iii. The
system will also alert the administrator if the cumulative value of unexecuted orders placed from any terminal/subbrokers office etc approaches the limits so set so that it does not affect capital adequacy of the Company
- iv. No unauthorized person shall be allowed in the dealing rooms during the market hours.

- iv. Password system refreshing of password and other systems restrictions will monitor that no unauthorized person can sit at any terminals except for the designated dealer for that terminal.

7. **TRANSFER OF TRADES**

- i. Transfer of trades between clients shall not be allowed.
- ii. Trades will generally be transferred only in case of punching errors after obtaining. Letters authorization of the same by both parties in writing.
- iii. Transfer of trades for Capital Market on NSE shall only be allowed if permitted by the Exchange.

8. **Taking Margins For Capital Market**

- i. Generally no margins are taken for Capital Market. However on the instruction of the Managing Director Margins will be taken .
- ii. After close of market , Margin Report File (MG02) downloaded from Exchange and uploaded in Back Office Software for daily margin report.
- iii. Print out of Margin Summary Report .
- iv. Margin report to Clients is attached to the bills and sent to clients .

For Derivative Segments

- i. In case of Derivative Segments care should be taken to get at least the minimum margins required as per Exchange requirements.
- ii. The Procedure to be followed is given below :
 - a. After close of market , Margin Report File (MG13) downloaded from Exchange and uploaded in Back Office Software for daily margin report.

- b. Print out of Margin Summary Report .
- c. For Branches
- Branchwise Report sent to relevant Branch by telephone/ Fax.
 - Branch-in-charge will call up clients to collect any shortfall in Margin.
 - After having talked to the client H.O. informed of the norm in which the client will be providing the margin.
- d. For Head Office Clients
- Clients will be called up to collect any shortfall in Margin and information received from the client of the norm in which he will be providing the margin.
- iii. Within one or two days the Branch will collect the cheque and send it to the H.O.
- iv. In case client wants to provide for collateral security as margin he should transfer the same to the Margin Account maintained with KMBL.
- v. Information is received from the Branches/H.O. regarding the collection of margin and which is then updated in the Back Office Software.
- vi. Generate Margin Report after checking for Shortfall.

vii. Subsequently Margin report uploaded to the Exchange.

viii. Margin report to Clients is attached to the bills and sent to clients .

9. **Sending Contract Notes, Quarterly Statement Of Accounts To Clients**

a Contract Notes and daily Margin statements

a. The trade file received from the exchange will be uploaded to the back office software and the contract notes after processing the contract notes together with daily margin statements will be printed.

b. The contracts with daily margin statements are then to be segregated by locations. The head office clients will either collect their contracts or they will be couriered/hand delivered to the clients.

c. The Branches/Sub-brokers offices will be sent the contract notes with daily margin statements, related to them and which they in turn they will deliver to their clients.

d. PODs shall be maintained for proof of delivery.

e. Duplicate Contract Notes and daily Margin statements shall be filed separately.

b. Quarterly Statement Of Accounts

i. Within a month of the end of each quarter , statements of account will be printed and sent to the clients for confirmation.

ii, POD is to be maintained in a separate file.

- iii. Clients will be called to send their replies .
- iv. Copies with Clients' confirmation will be filed separately

10. Electronic Contract Notes

- i. If a client wants to opt for ECN facility he can do so at by giving written instructions
- ii. The client should provide us with his email address
- iii. Once authorized to send ECNs , the software is updated.
- iv. The ECNs are in the prescribed format and digitally signed .
- v. Log of the ECNs mailed daily is maintained.
- vi. In case the ECN bounces or for any reason not mailed the client is sent a physical contract within 24 hours.
- vii. Any change in email address will be informed by the client in writing.

11. Allotment And Surrender Of Terminals

a. Allotment of Terminal

- i. The Managing Director after taking the decision that a new terminal is to be allotted, shall inform the System Administrator.
- ii. On his recommendation of hardware and purchase of licence from our authorized dealer , the installation takes place.
- iii. The dealer IDS are created and on receipt of confirmation from the exchange , the terminal will be started.
- iv. The information regarding the same is uploaded to the Exchange through ENIT

b. Surrender Of Terminal

- i. The managing Director will inform the System Administrator for the disconnection of the particular terminal.
- ii. The information regarding the same is uploaded to the Exchange through ENIT
- iii. In case it is accompanied with the closure of branches that procedure will also be followed.
- iv. The Managing Director will inform the Systems Administrator in case the dealer is to be shifted to another terminal .

12. Opening And Closing Of Branches

The management after survey and review shall approve the opening and closure of branches.

a. For opening of branches

- i. After buying /renting of premises, the set up will be undertaken by the management and the System administrator informed for allotment of new terminal.
- ii. The management will designate the person in charge.
- iii. The existing clients are informed in case they would find it convenient to be associate with the new branch.

b. Closure of Branches

- a. Management will write to each and every client informing of the closure in advance giving an option to transfer his account to any branch.
- b. It will also communicate with clients who have given us their email address.
- c. The client will be encouraged to shift his business to some other branch .

- d. In case the client does not want to shift his account his outstandings should be recovered. Any shares lying with us should be transferred to his Dmat account.
- e. In case the client opts to shift his account to another branch procedure for transfer of account will be undertaken.
- f. The exchange should be informed of the closure.

13. Environment

- i. **Physical Access Security Policy**
No outsider/ unauthorized person allowed Access to the Computers by restricting their entry into the dealing area and back office.
- ii. **Systems Control**
The System has a password mechanism and shall allow access to authorized persons only.
The System uses session identification for restricting the sessions to authorized persons.
The access to database is restricted to authorized users/applications.
No unauthorized person is allowed in the dealing room during the market hours.
The CTCL application has an online surveillance and risk management ,. The application provides for a front end report where the number of users logged in can be viewed.
Only users approved by the Exchange are allowed to access the CTCL system.The users are uniquely identified through issue of unique CTCL IDs.
Users whose accounts are locked are unlocked only by the administrator.
- ii. **Remote Access Policy**
No internet trading allowed but clients can access their accounts through our site
- iii. **Backup and Recovery Policy**

Daily and weekly Backups are taken on a pen drive which are kept at the Managing Director's Residence . Monthly Backup is also taken on a mirror hard disk . In case of a virus problem or the hard disk crashes for any reason the data can be restored from the backup. In case of fire etc when the office premises cannot be used the exchange machine can be used or the exchange will allow a terminal to be opened at any member's premises for the purpose of squaring up of transactions.

14. Insurance

- i The Company will be insured against risk by taking out an adequate insurance policy

15. Collection Of Payin

As soon as the contracts are dispatched the process of followup for collection of funds and securities begins

- i. No cash will be accepted from the clients.
- ii. Cheques received will be sent to the back office and entered into the system. If the cheque is of a Bank other than the designated banks of the client the entry will be rejected and the client contacted. No cheques from third parties will be accepted. The cheques will then be sent to the bank for deposit.
- iii. Thereafter outstanding statement is given to the Managing Director for follow up and recoveries.
- iv. Shares transferred by the clients to our pool account will be monitored settlementwise .
- v. Follow up with clients will be done if shares not received . Any shortage of shares are communicated to the Managing Director so as to communicate to the client of the auction of undelivered shares.

- vi. Shares given as Collateral securities will be transferred by the client to the Margin Account from his designated Dmat account

16. Pay Out

- i. As soon as the payout is received from the exchange , all clients except those who have authorized the maintenance of running accounts or prefer to retain the funds with the Company , will be paid .
- ii. Securities received in the Pool Account will be transferred to Beneficiary Account immediately.
- iii. In case the client has not paid the shares or does not want the shares to be transferred to his Dmat account, the shares will be retained in the Beneficiary Account.
- iv. From the Beneficiary Account the shares will be transferred to the designated Dmat Accounts.
- v. Return of Collateral securities to be returned on clients written instructions will be transferred to his designated Dmat account.
- vi. In case the client has sold the Collateral Securities in capital market the shares will be transferred to Pool Account.
- vii. Clients' ledger and securities holding account shall be squared up once in every quarter.

17. Monitoring Of Debit Balances

- i. Daily outstandings are given to the Managing Director for follow up.
- ii. Clients reasons for non payment are noted and likely date of payment found out.
- iii. The shares purchased will not be transferred to the Clients Dmat account until payment is received .
- iv. Weekly review of outstanding dues is also undertaken for follow up .

- v. Clients shall be required to square off their accounts once in each quarter.

18. **Internal Shortage Policy**

Whenever there is an internal shortage in a script in the same settlement ie. Buyer and seller both are clients and seller has not delivered, the Company will purchase shares on the payout day of the purchase settlement and the rate at which the purchase will be made will be the price considered for accounting effects. The rate at which the shares are re-purchased will be taken into consideration for debit/credit to the seller/buyer respectively.

In case the member is not in a position to purchase the shares as stated above due to the shares on the upper circuit or any exchange related action, the buy in will be done on the next and subsequent days till the purchases are made or upon agreement by both the buyer and the seller the shortages would be closed out at a common price.

The shares have to be purchased in the buyer's account only to avoid third party violations of SEBI.

19. **Investor Grievances**

- i. Register of Grievances shall be centrally maintained.
- ii. An exclusive email address viz nilesh@msnsecurities.com shall be maintained for this purpose. The Clients shall be informed of the same through Welcome letters. Notices informing the Clients shall be kept at the Head Office and Branches.
- iii. Once the Compliance Officer has received a complaint form the client, it will be reported to the Managing Director.

- iv. The Managing Director shall then investigate the complaint and redress the complaint to the satisfaction of the aggrieved client within a week.
- v. If the client is not satisfied nor withdraws the complaint

SPREADING UNAUTHENTICATED NEWS THROUGH CHAT MODES / EMAILS / BLOGS / SMS :

Post SEBI circular dated 23.03.2011 on spreading of unauthenticated news related to listed companies / industry / stock brokers / political news /public figures on Chat modes / Emails / Blogs / SMS, the Company has decided to verify all such information circulated by the employees of the company.

No employees shall advise any client/investor on basis of any unauthenticated news related to listed companies / industry / stock brokers / political news/public figures on Chat modes / Emails / Blogs / SMS. The information will have to be approved by the compliance officer of the company before it is circulated, unless from reliable sources such as reputed news channels / news papers / websites (Bloomberg, Reuters etc).

Outsourcing

We declare that none of operations of the Company have been outsourced.

Policy on pre funded Instruments and Electronic Fund Transfer

Since the Client is supposed to make payment from his own declared Bank accounts we need to maintain an audit trail of the funds received through Prefunded Instruments/ electronic

fund transfers to ensure that the funds are received from the clients only.

The Company shall generally not accept Demand drafts. In exceptional circumstances It may be accepted after taking permission of the Managing Director if the same is accompanied by the relevant documents as detailed hereunder.

Electronic Fund Transfer ie RTGS and NEFT shall be allowed if the following documents are submitted to the Company :

- a. Intimation to the Company of the Client's intention to electronically transfer funds..
- b. Copy of the requisition slip to issue the instrument duly stamped by the Bank.
- c. Certified copy of the passbook/bank statement for the account debited to issue the instrument. to the Company.

The above documents are acceptable if the issuing bank and the bank account debited is a bank declared by the Client in his KYC.

In case of payments by the Company , funds are electronically transferred only to Client's Account declared in the KYC, if requested by the Client.

SETTING UP OF CLIENT EXPOSURE LIMITS :

Exposure to all clients will be based on the credit balance in ledgers + stocks lying in beneficiary account + margins (securities and cash). Client may take exposure on the basis of margin applicable for respective securities as per VAR based margining system of the stock exchange. However the member may at its own discretion allow additional exposure

as per credit balances in client account/ cash margins / collaterals deposited by the clients or client's track records.

For trading on Derivatives segment, for futures segment flat initial margin of Rs. 25000.00 (cash or securities) and for only options segment that initial margin of Rs.10000.00. The initial margins can be also provided by the client by way of authorizing the member in writing to utilize the available credit balances or securities held by the member in its beneficiary account in his account on any of the cash segments of the exchanges. However for all additional exposures, client will have to furnish additional margins as applicable.

Further the client agrees not to take any fresh positions in securities under ban period as and when put by the exchange. The client also agrees to bear the penalty if any charged by the exchange on such trading.

SURVEILLANCE POLICY

As per the requirement of Regulators Mrs. Mukta Patil – Compliance Officer is incharge of surveillance related all activities. She shall download the surveillance alerts from the Stock Exchange system EBOSS/ CONNECT2NSE.COM on daily basis. The process of Due Diligence & scrutinizing each alert (client-wise/scrip-wise separately) should be carried out & completed within one week. She shall call for necessary documents of each Client, Scrutinize all documents for necessary analyses and prepare conclusion against each alert. After reasonable analyses, she will report the conclusion against each alert to Designated Director. The same shall be reported to the Exchange within reasonable

time. After due discussion, the necessary actions shall be taken under instructions from Designated Director, if required.

In case of any suspicious / manipulative undue activities of any Client, the same will be reported to the Exchange immediately. Proper records of each alert and documents scrutinized should be maintained. A quarterly MIS shall be put up to the Board of Directors on the number of alerts pending at the beginning of the quarter, generated during the quarter, disposed off during the quarter and pending at end of the quarter. Reasons for pendency shall be discussed and appropriate action taken. Also, the Board shall be apprised of any exception noticed during the disposition of alerts.