

## **Detail Write up on Internal Controls / Review.**

### **1. Details**

Date of starting of business	
Background of company	We M/s. Prudent Broking Services Private Limited are a member of NSE, BSE, MCX-Sx, MCX, NCDEX, DP of CDSL and a Research Analyst. We are into the securities market since 2010.

### **2. Client Code Modification:**

<b>Particulars</b>	<b>Our Remarks</b>
Reasons for the modification of client codes	Generally, to remove the genuine punching errors done by dealer due to communication, typing etc.
Ratio of modification of client codes done at Head office vis-à-vis other offices	We modify clients code only at our centralized location being our head/registered office. Hence, no such ratio comparison can be done
Details of authorized representatives for approval of client code modification w.r.t. error trades.	Our dedicated employee(s) posted at one and sole location being our regd. Office are empowered to carry out such modification w.r.t such error trades
Measures taken to reduce the modification of client codes.	During the last year i.e. FY 2023-24, there are only <u>4 (Four)</u> cases of client code modifications which constitute a miniscule % to no. of our daily trades
Whether the trades have been modified only for the objective criteria allowed by the Exchange?	Yes
Whether securities taken into ERROR A/c are liquidated in the same A/c?	Yes

### **3. PMLA**

<b>Particulars</b>	<b>Our Remarks</b>
Compliance w.r.t. Principle Officer and adoption of written policy	Principal Office has been appointed and written policy has been adopted - necessary proofs already provided
Whether KYC and AML policies have been	Yes

reviewed in line with SEBI Guidelines?	
Measures taken with regard to Anti laundering Act	<ul style="list-style-type: none"> <li>- Dedicated Software systems is implemented</li> <li>- STRs are being filed regularly if require.</li> <li>- PAN details captured and is being verified with I.T. website</li> <li>- No third party payment / securities is being accepted</li> </ul>
System of keeping a check on Volume of trading done by the client is in proportion to his financial details as disclosed in the KYC	<ul style="list-style-type: none"> <li>- Financial Details are being captured in back office software</li> <li>- Dedicated RMS team / members are entrusted to look into the matter who verifies / cross-verifies with past history, financial details, trading pattern etc.</li> <li>- Necessary data is being analysed through back office Software</li> <li>- Transactions are being further analysed at Compliance Department</li> <li>- Transactions, if found, out of proportion to his financial details are being reported by Principal Officer to FIU India by way of filing STR</li> </ul>
Alerts for the same generated or not?	Our software enables us to establish about such alert whether the same are suspicious or not.
Risk categorization of clients	The same is being done thru back office software - either as low, medium or high risk clients. CSC category of clients are being marked as High Risk Category.
Enumerate the steps taken to verify the identity of persons who beneficially own or control the securities?	We obtain necessary data of non-individual clients like partners, directors, shareholders, trustees etc. as a part of KYC requirements and preserve the same into our back office database. Necessary proof of identification and address are also being obtained. However, majority of our clients who are retail clients and are being registered through sub-brokers / authorized persons.

#### **4. Introduction/Registration of clients**

<b>Particulars</b>	<b>Our remarks</b>
Basis of accepting as client	Majority of our clients are retail clients and are being referred to us by our sub-

	brokers / authorized persons / branch etc. Based on such introduction by sub-brokers / authorized persons/ branch officials, existing clients etc. we accept the clients.
Procedure for In-person verification of clients and maintenance of proof for the same, specifically in respect of out station & sub-broker clients	In person is done only by our own employees / registered sub-brokers / authorized persons – necessary details are being captured and preserved as a part of KYC form.
Whether Client Registration Documents (CRD) given to new clients & to existing clients, on demand. Also, whether UCC & email ID communicated to clients on CRD or separate letters, and proof for the above	Yes, copies of CRD are being given to all new clients and necessary acknowledgement is being obtained to that effect. For old clients, they are being provided as and when asked for the same. We are having centralized KYC department and combined KYC form for both DP & Stock Broking operations and we communicate the UCC, email id etc. mentioned by clients in KYC via our welcome kit and client master data.
Do you outsource client registration modalities?	No, client registration part is not outsourced.
Do you entertain walk in clients? If yes, what are risk mitigation measures taken in dealings with such client.	No
Process of record keeping and retrieval of client registration document.	Maintained in Physical Form – old records also scanned

### **5. Funds:**

<b>Particulars</b>	<b>Our remarks</b>
System of pay in and pay out of funds from / to clients	<ul style="list-style-type: none"> <li>- Pay-in and pay-out of funds are being done through designated client bank accounts only</li> <li>- Such payments are being accepted from clients from the bank account registered with us only and payments are being drawn and made to clients on that bank accounts only</li> <li>- We are not accepting third party cheques / demand draft / pay-orders</li> </ul>
System & source of pay in and pay out of funds in case of Own trading	Whenever there is Own trading, funds are being routed through dedicated client accounts only for pay-in purposes. In same manner, pay-out is being done from such client bank accounts only.

Procedure of Margin collection, if any from clients & maintenance of records thereof	In case of F&O segment, upfront margin collection as per Exchange requirements. In case of CM segment, exposure is being granted to respective clients as per prevalent RMS procedure from time to time. Necessary records are being maintained through back office software.
Credit / transfer of Dividend to the client / own dividend	Yes, balance in dividend bank account is periodically settled and reconciled on a daily basis.
Procedure followed in case of default by client/AP's client	<ul style="list-style-type: none"> <li>- Our RMS team monitors the same and provides exposure to clients based on RMS system and procedures only.</li> <li>- No further exposure is being granted to such clients</li> <li>- If client default in making the payment, his position is being squared off after intimation to clear his dues</li> <li>- Proper recovery mechanism is established and we deduct the amount from AP's deposit and he is made responsible to recover from his clients.</li> </ul>
Payment to AP	Either on a monthly / bi-monthly basis as agreed with AP.
Any third party transfer of funds? If yes policy in this regard	<ul style="list-style-type: none"> <li>- No third party transfer of funds to clients</li> <li>- Even, we do not accept third party payment</li> <li>- We also capture and preserve scanned copy of payment instrument through our back office software</li> </ul>

## **6. CTCL Terminal**

<b>Particulars</b>	<b>Our remarks</b>
Procedure of accepting & placing of orders	Orders are accepted by the AP's/ branches mostly over a telephone or by clients himself sitting in the respective office after confirming the client code -
Factors determining the trading limit for each terminal / client	As per prevalent RMS policy from time to time depending upon market circumstances, such limits are being fixed based on quantity and value limits and such other parameters including past

	history/ trading pattern etc. and system have put in place to avoid punching errors – no rights have been assigned to any branch/sub-broker/terminal to modify the punching errors.
Control over operator to ensure that he is entering authorized trades only	As per our RMS policy, respective Client codes are mapped to respective terminals of sub-brokers / authorized persons / branches / dealer
In case where terminals have been located abroad, then Opening of terminal abroad is in compliance with SEBI Guidelines	We have not allotted any terminal located abroad, hence not applicable

### **7. Contract Notes**

<b>Particulars</b>	<b>Our remarks</b>
Whether printing of contract note is centralized? If not, place from which CN are printed.	Yes, centralized at our Head Office - however majority of our clients have opted for ECN
Procedure for printing CN in case of outstation clients / AP clients	Majority of our clients have opted for ECN, and we will send physical contract notes if email not delivered
Basis of numbering	Yearly – starting from no. 1 w.e.f. 1 <sup>st</sup> April every year
System for maintaining duplicates & acknowledgement for CNS	ECN logs/Dispatch proofs are being maintained
Whether consent for change in e-mail id is obtained through physical letter from the clients?	Yes

### **8. Securities:**

<b>Particulars</b>	<b>Our remarks</b>
System of pay in and pay out of securities from / to clients	We are accepting and delivering securities to designated demat account of the respective clients registered with us as per KYC / subsequent written addition / amendments only
Client Unpaid Security Pledge Account (CUSPA) maintained or not	Yes
Client Securities Margin Pledge Account (CSMPA) maintained or not	Yes
Whether Clients' securities maintained with Member i.e. in CUSPA Account.	Yes – unless and until clearance / payment of dues – however to the extent of dues only

Procedure for check on Third party security transfer / acceptance	Our dedicated employees look after the same through our integrated back office software system – hence no third party transfer / acceptance is being done.
Policy to ensure that client's securities are not mis-utilised for own purposes or for any other client	We are maintaining separate client and own demat accounts – we do not accept / deliver 3 <sup>rd</sup> party securities - these demat accounts are reconciled on a regular periodic basis

## **9. Statements of Accounts**

<b>Particulars</b>	<b>Our remarks</b>
Whether statement of accounts for funds and securities are issued on weekly, monthly or quarterly basis.	Yes, as per respective exchanges circular and as per the preference of clients –as such.
Whether statement of accounts is issued from the branches/sub-broker's office/authorized persons office. If yes, the procedure followed for issuance and the maintenance of the duplicates and proof of delivery.	No, we are generating the same through our head office only
Whether statement of accounts are issued physically or digitally?	Digitally

## **10. Opening & closing of branches**

<b>Particulars</b>	<b>Our remarks</b>
Procedure adopted for opening & closing of branches	<ul style="list-style-type: none"> <li>- Majority of our business are sourced through sub-brokers and authorized persons only</li> <li>- However, while opening our own branch, we consider the probable volume of particularly locality, no. of expected clients, mentality and maturity of locational clientele, educated and experienced manpower availability and such other factors</li> <li>- Necessary support in terms of technology, infrastructure, hardwares &amp; softwares, stationary etc. are being provided</li> <li>- Back Office training is also being imparted</li> </ul>

	<ul style="list-style-type: none"> <li>- While closing any branch, we do give prior intimation to clients by flashing the message of closure of branch over a terminal as well as tele-calling, letter intimation etc.</li> <li>- Those clients who wish to continue with us are being shifted to HO/ nearest branch with their consent.</li> </ul>
In case of closure of branches, how and when do you communicate existing clients?	<ul style="list-style-type: none"> <li>- Sufficient time (atleast one month time) is being given to clients either to shift his account with nearest branch / authorized person</li> <li>- Frequent dissemination of messages about closure of branch is being done through branch terminal as well oral / telephonic /letter intimation to existing clients are being done</li> <li>- If client chooses to close down his accounts, his accounts are being settled fully and necessary dues / payment are being made/recovered</li> </ul>

### **11. Receiving and Execution of Orders**

<b>Particulars</b>	<b>Our remarks</b>
Mode of order acceptance at HO/Branches/AP's offices	<ul style="list-style-type: none"> <li>- Generally our clients place their order either through visiting HO/branches / authorized persons' offices personally or telephonically</li> </ul>

<p>Any document is maintained for the clients who personally walk into the office and place the order?</p>	<ul style="list-style-type: none"> <li>- We have installed voice logger and recording logs are maintained.</li> <li>- We send trade SMSs to clients on a daily basis and preserve the SMSs logs</li> <li>- However, only dealers punches the orders as per request of the client, either market or limit orders and confirms about scrip, quantity, client code, price (if any) with the client while placing the order</li> </ul>
<p>System for identifying authenticity of caller when the order is placed through telephone.</p>	<ul style="list-style-type: none"> <li>- We have assigned unique client code to each and every clients</li> <li>- The clients are mapped with respective branch / sub-brokers / authorized person only</li> <li>- Dealer confirms the order with the client before final punching into the terminal</li> <li>- Trades SMSs, ECN etc. are being sent to respective clients.</li> </ul>
<p>Mechanism put in place to limit the cumulative value of unexecuted orders from the terminals?</p>	<p>Proper RMS system is placed in this respect.</p>

**12. Brokerage Charged**

<b>Particulars</b>	<b>Our remarks</b>
<p>Brokerage schemes provided to the clients?</p>	<ul style="list-style-type: none"> <li>- No specific brokerage schemes provided to any client</li> <li>- brokerage is being charged as agreed with the client and written in the KYC form.</li> </ul>
<p>Elaborate on the schemes provided?</p>	<p>Not applicable since no schemes provided.</p>