

Internal Control Policy

Risk Management function is a centralized operation. It is the sole responsibility of the RMS team to measure and manage the risk. The RMS Process flow comprises following important stages.

Intraday RMS Processes:

- Intraday facility is extra facility provided by company under that client gets additional limit than available in regular case.
- Intraday position will square-off if client MTM hits its 70-80% based on his set margin(including ledger plus eligible stock after haircut). Intimation SMS will be send to client at 50% and 60% & final SMS will be send to client once MTM hits and position is square-off.
- Positions created under Intraday Product would be subject to either client himself squaring off (if done online) OR dealer based square off OR MTM Loss @ 80% of Total Deposit (Ledger + Holding after Haircut) - Risk Square off OR Time Based Square off.
- Client cannot Carry Forward any positions in Intraday Product, and if want to carry forward same will be subject to free margin(cash + stock balance after haircut).
- All pending orders unexecuted / partial orders will be cancelled as per intraday product features.
- No fresh orders will be accepted in Intraday after Time based square off.
- Square off Times will be as under for the following exchanges

(Cash & FO: 3.15 PM) (Commodities segment: if market close at 11.55 pm then at 11.45 pm and if market close at 11.30 pm then at 11.15 pm)

- At MTM loss the position will be reduced on best effort basis and customer will be liable for such losses.
- Client confirms that he is aware of the Intraday Product and its features and have clearly Understood the risks associated with Intraday Trading.
- Client understands that he/she is allowed a higher leverage in the Intraday Trading Facility as compared to trades in the regular market positions and, therefore, while the opportunity for making profits on the investment is magnified, the risk of loss would also be enlarged correspondingly.
- Client agree and accept that he/she will not hold Prudent Broking Services Private Limited, their directors, officers or employees liable for any loss that may sustain as a consequence of availing of this facility. All terms and conditions of the agreement that are executed shall remain effective and in force in all respect until terminated in terms thereof.

Limits Parameter:

Particulars	Parameter
Default Limit	Zero
Intraday Limit Cash segment Derivatives Segment	Upto 7 times on available margin(based on ledger & stock after haircut)
Carry Over Limit Cash segment Derivatives Segment	4 times in cash segment on eligible script & upfront margin in derivatives segment

Limits in case of Funding clients	Margin	1.25 cr per client as decided by management
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Further exception limit approval will be based on management decision.

Requirement of Margin:

- Eligible securities will be accepted as margin. It will be valued @ 75% on closing price. Stock list will change from time to time.
- A client has to provide margin in the form of either cash or stocks and is valued after appropriate haircut.
- For every fresh position that the client wish to take, the client has to have sufficient margin available in his account. The margin requirement for any trade depends upon margin available (cash plus stock after hair-cut) in beginning of day
- Intraday additional margin levy, profit or loss incurred during the day, running loss / notional loss, is also accounted for by the system for the purpose of margin availability calculations.
- The margin requirement imposed by the Exchange is subject to change as may be decided by Exchange from time to time. Client is required to maintain minimum margin to the extent of MG13 report. Further based on the assessment of market volatility, member reserves the right to levy additional margin which is over and above the exchange defined margins.

Ageing Debit Square off (T+ 7):

- It is client's obligation to clear his/her outstanding dues by T+2 (T indicates Trading day). The client shall ensure timely provision of funds / securities to Prudent Broking Services Private Limited so as to meet exchange obligations. Prudent reserves the right to close the positions / sell securities to the extent of ledger debit and /or to the extent of margin obligations.
- Selling will be done in clients account on T+7 days for the ledger debit which is more than T+6 days on ageing basis. For e.g.: All trades executed on Monday will be squared off on next Wednesday (T+7) where T indicates Trading day. In other words, if funds are not received for script purchased on Monday by next Tuesday i.e. T+6, Prudent shall liquidate securities to the extent of ledger debit.
- In case of market volatility RMS has rights to liquidate stock as per requirement without prior notice to client.
- If client does not clear debit by 6th day by giving funds or selling off securities, then RMS will not allow further exposure on T7 day . Such reminders will be done on previous day through SMS/Email.

Liquidation cut off time:

Particulars	Parameter
Intraday (cash and derivatives)	At 3.15 time base square-off
Intraday (Commodities)	At 11.45 time base square-off
Margin Shortfall of previous day	Email and SMS intimation
Liquidation on T+6 close out	Will square-off from 10.00 am to 11.00 am

Dealing in restricted scripts:

- Scripts as mentioned below category will have restrictions as under:

Particulars
Trade to Trade
ASM / GSM / ASD
Illiquid Script
SME stocks
NRI restrictions
Scripts in circuit filter
New listed stock
Derivatives stock reaching market wide open interest limits

End of Day processes:

- The end of day processes of Transaction processing system at Prudent is centralized.
- The EOD process updates the positions of clients using the trade and position files received from the exchanges.
- Funds received from clients are updated based on actual entry in back office systems.
- Mark to Market of all Stock and Derivative positions is carried out and SPAN plus EXPOSURE based margins are applied to derivatives positions based on the latest risk margin file received from exchange.

Pay-in Pay-out of funds and securities 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 when required.
- e. The pay-in of shares /funds from client comes only from their Demat Account and Bank Account declared in the KYC form. In case the shares are received for the Account other than designated Account then such shares are returned / rejected.
- f. Pay-out of funds is made to clients only after pay-in of securities from clients and after adjusting all types of Margins.
- g. Pay-out of Securities is made to clients on the basis of pay-in of funds received from clients.
- h. The company has received authority from clients to maintain shares on their behalf to avoid trouble of receiving / giving shares on daily basis. And in most of cases we deliver the shares in clients demat a/c directly from exchange (Direct Pay out). Proper record for securities received / given to the clients is maintained.
- i. The company receives the deliveries of securities from the clients in the pool accounts / or Exchanges early pay-in account which is intimated to the clients.
- j. POA is also given by clients, but POA is only used for pay-in Purpose of Shares or delivery of securities company has activated auto payout facility in clients demat account.
- k. Cash payment is not made to client / accepted from client.
- l. Further some of the clients have given consent to the company to maintain running accounts on their behalf to avoid trouble of receiving / paying funds on daily basis.
- m. We accept the cheque only from bank account of clients which is mapped in our system. Our Branches / Franchisees deposited the Cheques in our account at their local branch and make entry in

the system. Payment to client is centralized through system and local Cheques. Cheque issue authority is not given to branches / franchisees.

n. The accounts department keeps proper co-ordination with settlement Department regarding Pay-in of shares by clients and then releases the Pay-out cheques to the client. Company releases payments of the clients either by hand delivery to the authorized persons intimated by the clients or by courier to the client's address. In some cases cheques are directly deposited into client's account.

o. Collection of deliveries of securities from clients shall normally be called from the clients on T+1 basis.

p. Deliveries of securities to the clients shall be effected within 24 hours from the pay-out.

Deregistering a Client

The Stock Broker may, at its absolute discretion, decide to deregister a particular client. The illustrative circumstances, under which The Stock Broker may deregister client, are given below:

- SEBI or any other regulatory body has passed an order against such client, prohibiting or suspending such client from participating in the securities market or has levied any penalty on the client.
- If a client is charged for or convicted for violation of any law, rule, regulation, guideline by any Exchange, Depository, Self Regulated Organization, Regulator, Judicial body or Quasi Judicial body.
- Such client is suspected of indulging in illegal or criminal activities including fraud or money laundering.
- Such client's name appears in the UN list of prohibiting entities or SEBI debarred list.
- Such client's account has been lying dormant for a long time or client is not traceable.
- Such client has declared insolvent or any legal proceedings to declare him/her as such have been intended.
- Such client has been irregular in fulfilling obligations towards margin or settlement dues.
- Such client has a tainted reputation and any business relationship with such clients is likely to tarnish the reputation of the Stock Broker or may act as detriment to the Stock Broker prospects.
- If the actions of the client are such that create grounds for suspicion or are prima facie illegal or improper or may appear to disturb the normal functioning of the market or appear to be manipulative or deceptive in nature, either alone or in conjunction with others.
- On the death/lunacy or other disability of the Client; If there is a reasonable apprehension that the Client is unable to pay its debts or the Client has admitted its inability to pay its debts to the stock broker or any other person.
- If the Client is in breach of any term, condition or covenant of the broker client agreement.
- If the Client has made any material misrepresentation of facts, including (without limitation) in relation to Security.

Treatment of inactive accounts:

- Client account will be considered as inactive if the client does not trade for a period of twelve months. The working shall be done at the beginning of every month and those clients who have not executed any transaction in the preceding 12 months shall be treated as inactive. The Client has to make written request or E-mail from his designated E-mail id for reactivation of his/her/its account.
- The process for reactivation shall be afresh, all sets of documents shall be taken as a proof of identification and financial status.