

Arham Share Consultants Pvt. Ltd

Internal Control Policy

1. Client Registration, Documents maintenance

- Persons are added as clients only after they have had a meeting with the director / sub-broker /employee of the company.
- The Application forms for opening an account are issued only when the management is satisfied with the client's financial capacity to trade in stock market and after the prospective client provides the valid reference for his account.
- Verification of the name of prospective client against the database of debarred/banned entities is also done; like information relating to defaulters on www.cibil.com and vanishing companies database, prosecution database on www.sebi.gov.in
- Based on circulars / directions issued by SEBI/ exchanges & list of banned entity from time to time, the PAN of debarred clients is blocked in our system. We check the identity of the clients and same should not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide
- The details are entered in the back office software by the maker of the document. Further a senior person acts like a checker to see that the details have been properly entered in the back office software to avoid any issue in future.
- The clients only through reference are entertained. The financial capability of the client is assessed on the basis of the balance sheet, profit and loss, income tax return, wealth details, etc which shows the financial position. 2 years balance sheet is taken from corporate clients.
- The client registration modalities are carried out in-house and not outsourced.
- The documents are stored at the office and filed properly for easy retrieval whenever required.
- The financial capability of the client is assessed on the basis of discussion / disclosure / income tax document like ITR return or Income tax order.
- With reference to updation of client's financial information, the clients are requested in the statement sent on quarterly basis to provide the details. Client have also been sent draft letter for providing the feedback.
- With reference to the other particulars of the client information, the same is checked on the basis of cheque received for bank information, demat receipts for demat account and return of posts for check of addresses. Additionally the clients are given reminders in the quarterly statements to provide update on the changes, if any.
- We have proper make checker concept to avoid misuse of information provided in the KYC.
- Any change in address, e-mail id, contact details, etc is entertained on proper written request.
- In-person Verification is conducted by the employees of the company.
- The duly executed client registration documents are sent to clients by courier along with the welcome letter or the documents are handed manually to the client.
- The UCC is uploaded by the back office and the compliance officer or manager of the Client Registration carried out this activity before any trades are inputted on behalf of the client.
- We don't have any separate marketing division and no norms are specified for the same.
- We have not launched any promotional schemes till date.
- The clients are informed about the risk associated in equity / derivatives / securities trading at the time of their registration.
- We don't offer any type of freebies like free demat a/c, etc. to our clients.

Order Receipt and Execution

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- The company has restricted the access to the dealing office only to the authorized persons who are dealers and sub brokers of the company.
- The approved clients are informed of the dealers / sub-broker who would be responsible for receiving, validating and entering the orders on behalf of them.
- The orders are received over phone, through sub-brokers, personal instructions when they are in the office. The orders are duly confirmed at the time of entry itself when the orders are inputted in the system. The organisation have a telephone recording system.
- The order are entered instantly as given by the client without any delay. The orders are inputted as informed by the clients and no discretionary power is used if the order meets the requirement of margin and other risk management parameters.
- The orders are received from the clients only or through an authorised person as may be informed to the organisation.
- On execution of valid order into exchange system, dealers confirm the trade with the client so as to avoid any future dispute.
- At the end of the trading hours, the dealer informs the clients about the execution of the orders placed by the clients.
- After market hours, back office team informs the client about their executed trades for the day and also about their obligation towards Pay-in & Pay-out of funds & securities for the particular day through email .

Sending Contract Notes, Daily Margin statement, Quarterly Statement of Accounts to clients,

- The organisation sends contract notes and daily margin statements within 24 hours of execution of the trade (ie. Within 1 day) physically to all its clients.
- The activity of sending contract notes, daily margin statement and quarterly statement of accounts to clients has not been outsourced to any person.

RISK MANAGEMENT

Collection, maintenance & reporting of margins:

- In the cash segment, margin collection is not mandatory. Thus, in the cash segment the trade done on behalf of clients are monitored properly and in case of clients who are new, the director may take a call of collecting margin / early pay in of the shares if risk is felt by the director, as may be required.
- The company is not providing a margin trading facility.
- In the Derivatives Segment,
 - no transaction are executed for clients until the initial margin has been collected from them. Funds or shares are received from the clients as margin.
 - the client shares received as margin are kept in the separate client margin demat account or with the clearing member as may be required.
 - the cheques received from clients as margin, are deposited in the clients bank account.
 - the exposure of the client is accessed on the basis of the margin received from them. The RMS team / Senior staff at times is required to take decision on the orders of the clients on the basis of their assessment of the risk appetite of the client and the trades being done by them.
 - the margin given and the balance lying to the credit of the client is assessed before entering any orders on behalf of the clients.

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- The margin report downloaded from the exchange is uploaded after checking the amount as lying with the organisation. The uploading of the margin report is done by the back office staff and the status of the uploaded file is checked on the next day regarding the success or failure.

Monitoring of debit balances

- The monitoring of the debits of clients is done on daily basis.
- We have a system of periodic reconciliation of client accounts and even try to nullify the account on periodic basis at the comfort of the client so as to make the balances Nil. The statement of accounts sent on quarterly basis.
- In respect of clients having outstanding debit balances, the past history of trading and the financial standing is considered and depending on the risk perception additional trading would be allowed or the trading for the client may be stopped if required.

Payment, Receipt of funds from / to clients

- All 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.
- The company collects and releases funds through banking channels i.e. Account Payee Cheques only.
- The accounts department keeps proper co-ordination with DP team regarding Pay-in of shares by clients and then releases the Pay-out cheques to the client. In case of shortage of shares, the amount is released as per the decision of director to give part money or not.
- 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.
- The collections of funds from clients are also transacted in above manner, cheques are sometimes directly deposited by the clients.

Receipt, Delivery of Securities from / to clients

- The company has received running a/c letter from clients to maintain shares on their behalf to avoid trouble of receiving / giving shares on daily basis. Proper record for securities received / given to the clients is maintained.
- The company receives the deliveries of securities from the clients in the pool accounts intimated to the clients.
- For delivery of securities company has activated auto payout facility in clients demat account, for which daily report is been sent to the Clearing House / Clearing Corporation.
- The company also reconciles its pool, principle, CISA and client beneficiary account on a daily basis.
- We make maximum payout of securities on daily basis and for some clients on quarterly basis.

Liquidation of client position

- The organization does not have a system of squaring off the position of a client or Liquidation of securities without the consent of the client. The organization tries to have extra margin so that client positions are not forced to be squared off. Clients are priorly informed about the margin requirement and as the clients normally give the margin or square off their position on their own. Clients are warned / informed that their position may be squared off incase of shortfall of margin / pay-in default for the shares bought in the cash market. The clients are contacted and informed about the margin requirement over phone by the company staff or by the sub-brokers.

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- In case of shortfall, the clients are informed to deposit the cheques in the bank account or securities are told to be transferred to the client margin account. The client is given sufficient time to act on the margin shortfall.
- Margin calls being made on phone.

Investor Redressal Mechanism

- The register of complaints is centrally maintained under the observation and control of the compliance officer.
- The e-mail id for redressal of investor grievances is informed to the clients by the quarterly statements sent and even on the website of the organization.
- There are no investor complaints pending with any of the Exchanges
- The director / senior employee is responsible to see that there are no investors pending.
- There is an escalation mechanism in case if any investor complaint does not get redressed by the director / incharge or by the senior staff.
- In case if any transactions carried out in dormant accounts (not being operated in last 12 months), then before entering the transaction the dealers enquires about the same from the head dealer / director before entering the trade and thus enters a trade only after verifying the authenticity of client entering the order.
- No employee of the organization are exercising POA to operate client's bank and demat accounts?

For Arham Share Consultants Pvt. Ltd.

Priyank Mehta - Director