



Internal control system and Procedure **By ELIXIR EQUITIES PVT. LTD (EEPL)**

1. Background

Elixir Equities Pvt. Ltd. is a mid sized professional broking company with No sub brokers and about 95 active retail clients and No institutional client. The procedures are devised keeping in mind the size and nature of operations.

2. PMLA

Mr. Dipan Mehta is appointed as Principal officer and inform to FIU. Our PMLA policy is attached herewith which is Self explanatory .We give information about money laundering & PMLA policy at the time of account opening . Our website has note on PMLA policy. There are is no Suspicious Transaction reported.

EEPL is a closely held broking and DP operations ; wherein the promoters/ directors personally manage the daily affairs of the business.

The retail client base is small and closely monitored by the management. All the clients are personally known, not even a handful would be walk in clients, who are without reference.

As the directors would personally know each of the clients, it is easy to monitor the trades done and the type of investment pattern they indulge in. As a policy, investment is preferred rather than trading; and therefore like minded clients are encouraged. It is therefore a conscious effort to maintain the quality of the clientele, who are low risk, in terms of their payment and from money laundering point of view.

It is also not required to segregate or categorize the clients based on any parameters; as all are personally known, and do mainly investment grade business.

3. Introduction /Client Registration

Client approaches the Head Office (HO) for opening of a new trading account. Clients are all either known to the directors of EEPL personally and interviewed by us at H.O. by the Directors before account opening. We largely open accounts of persons who come through reference of the directors or are known indirectly to the directors. As a policy, we at the Company, do not take in any Walk-ins.

Client Registration is done in-House and no part is out-sourced.

An Officer from HO takes the complete details from the Client with regard to the Client Registration and fills up all columns in the physical Know Your Client (KYC) form and KRA registration form .

An Officer from HO pasts passport size photograph of the Client and takes Client's signature wherever required on the KYC and complete the physical KYC in all the respects.

An Officer from HO takes four mandatory proofs with self attestation i.e. PAN copy, bank proof, demat proof and address proof from the Client.

An Officer from HO verifies the zerox copies with original documents and certify the same by signing the same by putting rubber stamp as 'Verified with the Original'.

Officer at HO first verifies Client's PAN from Income Tax web site. If match officer put stamp as PAN verified and signed . If data mismatches from IT site; account opening request will stand rejected, and wait for further documents.

To judge the Financial capabilities of the Client, their financial details are recorded. In case of Individual, their income range is to be taken. In case of Corporates, their last 3 years balance sheet is to be maintained at all times. Income Tax Returns/Balance Sheets are collected from the Individual/Corporate Clients each year, especially if they are transacting in the derivatives segment. In case the latest Financials statements are not available, then the latest demat statements and/or the last 6 months Bank statements are collected.

An officer of the Ho Interview the client and after in person verification signed on the form with designation .

If it is felt that there is a lacuna in any of the abovementioned procedures or documents, or if the Client hesitates to or does not provide the required information the Account is not opened

Client to be checked for known criminal background, from various government websites, such as watchoutinvestors.com, Office of Foreign Assets Control of US Treasury Dept. (OFAC), ANMI website, UN website (<http://www.un.org/sc/committees/1267/consolist.shtml>), etc.

An Officer from HO allots the Client Code to the Client as per the Client Code series to be allotted.

An Officer of the HO makes data entry of all the details of Clients in our back office software (Hypersoft), and checks for mandatory fields like PAN NO., PIN CODE, TEL.NO. ETC.

Officer at HO cross checks all the details updated in the client registration software with the proofs attached.

Any director finally goes through the form and checks for completeness and accuracy of data, prior to signing it.

Documents are send to KRA for registration as per procedure prescribe by exchanges and SEBI.

HO uploads the UCC details to both the exchanges as per their requirement & in respective formats.

Welcome letter is send to the client with copy of account opening kit. The UCC code is mention in the letter. The acknowledgement is maintained for record.

Account opening kit is provide on demand to existing clients.

Complete information like SEBI registration numbers with date , Registered office address , Telephone and fax numbers , Website address, compliance officers name, email and contact number , investor grievance email Id is provided on page 3.

Client details are uploaded in the front office software of NOW Terminal- Admin Terminal and then the client mapped to the relevant Branch/terminal.

Noting are made on the form by each of the employees who has updated the data at various points of time.

The Client is ready for doing transactions now.

Form and documents are physically filed as per the client code at H.O.All the documents collected from the client at the time of account opening would be preserved for the period of 10 years or as specified by the exchanges and regulatory authority.

4. Funds

The Company has developed the robust Risk Management System for funds settlement and exposure limits.

Everyday, the transaction files received from the Exchanges (BSE & NSE) are uploaded on the Back Office database registering the transactions to respective Client codes and are entered into the Exchange Trading System.

On the basis of above, the Contract Notes and Bills are generated and sent to the respective clients.

During the day cheques received from the clients for their pay-in obligations and cheques issued to the clients for pay-out obligations are accounted in the Accounting system. Cheques received from the clients are checked with the bank details provided by the clients and updated in the software in order to reject the payments by third party. DD's are not accepted .

The cheques issued by the company to clients are always crossed and marked as 'Account Payee' and in the name of the clients only.

Back Office provides the reports giving details of balances in the clients account, which are used for co-ordinating with clients for debit recovery. All cheques received from the clients are banked and details of the cheques like cheque No., bank name, branch, amount are updated in our software.

Further, Client wise debit-credit summary is generated considering short sale of stocks, if any..

In house Reports are also generated giving details of clients who have not paid their obligations and the outstanding amount in order to liquidate their positions to the extent of debit balances in their accounts.

For own trading own fund is utilised and payin and payout are done from own bank account on monthly basis.

Collection of Margin: - The stock market in India have undergone into tremendous changes and one of the important change which has instilled greater confidence among investor in India and abroad is reduction of settlement period to one day and introduction of Depository System to eliminate the risk of bad paper. These changes have reduced the risk of default on broker.

Keeping the above change in mind, EEPL always provide exposure limit to the client based on the financial capability and risk taking ability of the client. Since, the settlement period is shortened to one day, EEPL collects full payment for purchases from client or full delivery of shares on the T+1 basis . For clients who trade on daily basis, margin is collected in the form of cash and securities having strong fundamentals.

While collecting the margin discretion with regard to exemption of margin is exercised based upon the track record of the client. This discretion is exercised only by the Designated Director of the Company.

Online surveillance is carried out to see whether mark to market loss of client is crossing Rs.25,000. In such cases, additional margins are called for from the clients or clients are advised to reduce the exposure.

While allowing trades in Oddlot and Z category shares, necessary permissions are obtained by Risk Management Department / Compliance Officer to avert the possibility of synchronized / circular trading. The client's trading track record regard to his financial capability and dealing in such scrip is looked into.

Client funding is done and reported to the exchanges as per rule and regulation of the exchanges .

Credits of dividend are given to clients and own account

Payment to Sub brokers are paid on monthly basis .

There is no third party transfer of funds.

5. NEAT/BOLT Terminal

Orders are received on telephone at the head office or by sub brokers from the clients and executed on the front end. Most orders are executed online while the client is on the telephone. The client is updated at various points during the trading hours for any change in prices etc.

Online surveillance of all transactions by all clients is monitored and margin calls given immediately.

In case the Client has exceeded the limits set up for him the Dealer may not execute any more transactions for him and may refer him to higher authorities for discretionary trading limits to be set up on a temporary basis

The Dealers are instructed to not execute any orders from Clients if the person giving the Orders is not recognized by them. After proper verification like DOB , Mobile number registered with us etc.client allow to trade.

Orders not executed till end of day are treated as cancelled. No orders are carried forward for the next trading day. Clients rebook orders the following trading session.

At the end of the trading hours , prior to contracts being generated, all executed orders are confirmed telephonically, to ensure that there is no mistake in client code , quantity etc .

Trading limit for each terminal / client is monitored by the Directors and under their instruction, allotment and surrender of trading terminals is carried out by making appropriate entries in the Exchanges front end.

Periodical review of Certification of approved user is monitored .

6. Contract Note

Printing of contract note is centralised in our Head office.

Contract Notes are sent within 24 hours of trade.

Running serial numbers are printed on contract notes.

Contract notes are sent by courier on same day and maintain the POD as proof of delivery with dispatch register.

In addition to delivery by courier, we also send contract notes in electronic form through email. This entire process is operated on e-hastakshar software for sending and keeping track of emails sent to clients.

Contract Notes are sent within 24 hours of trade.

ECNs are issued after consented by client in the KYC Document.

E-mail IDs of all clients are created by them and we do not create any on their behalf. Any change in email id is to be given in writing in the modification form lying with us.

Proof of Delivery and E-mail logs are maintained.

ECN's are signed and encrypted and made non-tamperable in compliance with provisions of IT Act 2000.

Logs of all sent/bounced/rejected e-mail are maintained.

Contract Notes are sent in physical form as well.

Proof of Delivery of all reports sent are maintained.

Daily Margin Statements, Quarterly Statements of Accounts, Quarterly Security Register to Clients are also sent through e-Hashtakshar in electronic form.

Any error beyond 30 days of intimation are not to be entertained.

7. Securities

The following steps are followed for the Pay in / Pay Out Process:

Pay-in

The trade files of the Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd (NSE) are uploaded for the day after post closing of market hours.

Back Office generates the Contract Notes and Bills for the transactions taken place during the Trading Hours.

Back Office then picks up the shares for Pay-In from POA Account (Power of Attorney) of CDSL as well as from BSE & NSE Client Pool Account for pay-in to the Exchanges.

On Reconciliation of Pay-In from the Depositories, the shortages and discrepancies are noted and informed to the Clients.

As per the Exchange regulations, we do not accept any third party shares. In case the Client transfers shares from a demat account not registered with us, the system throws up such discrepancies and does not give credit for such shares received as demat ID of such shares does not tally with the demat ID of the Client registered with us. In such case, we demand the ID proof from the Client on the same day of pay in. If the client is not able to provide his demat id proof, then we return the shares of Wrong ID account.

Pay out

When we receive the Pay-Out Obligation files from the Exchanges, the same are uploaded on the Back Office software.

The system then generates the Security Pay-Out reports.

During the process, the system by default checks the ledger balance of clients and if there is enough credit on the day of Pay-out, the shares are directly transferred to the Clients beneficiary Account.

In case there is a debit balance in the clients account on the day of Pay-out, then the shares are withheld to our beneficiary account till such time the debit balance gets regularized. In such cases, when corporate action takes place with respect to the said shares, the benefit is passed over to the respective clients.

In all cases where Pay-Out Shortages are recorded, We confirm the same to clients on the day of Pay-Out.(T+2). The shares are then delivered to the clients when shares are actually received from the Exchange in auction pay-out.

Separate own Beneficiary account is maintained. Separate client Beneficiary account is maintained.

Client wise segregation of securities are maintained whether clients securities maintained in separate Beneficiary account.

8.Internet Trading

We have not offered internet Trading facility to the clients.

9.Execution of POA(power of attorney)

No Power of Attorneys are taken by the broking division. Our Demat dept takes limited PoA from clients who have opened a demat account with us. This PoA is as per format given by CDSL and is used only for settlement of trades done through us where securities are moved from Beneficiary Account to Pool Account.

10. Opening & Closing of branches

No branches office have been opened in the recent past . The activity of opening and closing of branches is monitored by the Directors personally.

11. Closure of Client Accounts / Dormant Account

Closure of account is based on letter received from client. Senior officer verify with him about the closure and close the account. We send correspondence on his register address about the closure.

Dormant Clients list is prepared based on scrutiny of trades and Ledger. Any Client who has not traded for six months is identified as a Dormant Client

In the event of a client being identified as dormant, or letter is received for closure of account, their name and party code is removed from the trading front end so as to ensure that a trade is not carried out.

In case of dormant account (six months) we confirm the identity of client, confirm any changes in address, contact numbers etc. and execute the trades.

If dormant account is older than 2 years before activation Dealer confirm the status of KYC requirement with KYC officer, if any deficiency in documents like latest financial details or modification in KYC formalities wait for further documents from client.

Client to be checked if older than 2 years for known criminal background, from various government websites, such as watchoutinvestors.com, Office of Foreign Assets Control of US Treasury Dept. (OFAC), ANMI website, UN website (<http://www.un.org/sc/committees/1267/consolist.shtml>), etc.

After confirmation of matching clients existing data and our KYC data like address, Telephone no, mobile no etc. dealer map client code in front end to respective terminal for trading.

12. Receiving and Execution of Orders

Orders are received on telephone at the head office or by sub brokers from the clients and executed on the front end. Most orders are executed online while the client is on the telephone. The client is updated at various points during the trading hours for any change in prices etc.

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For ELIXIR EQUITIES PVT. LTD.


DIRECTOR

