

ACUMEN CAPITAL MARKET (INDIA) LIMITED

(Previously known as Peninsular Capital Market Limited)

Internal Control Policy

Since the reactivation of the Company's operations in 2007 and commencement of dealing with the clients since 2008 the company had adopted a conservative approach in all matters especially in the matter of client registration, pay –in, pay-out of clients, delivery in and out as regards securities belonging to clients. It is, however, thought wise to spell out the policies clearly so as to enable proper monitoring and review from time to time. Accordingly, the following guidelines were presented to the Board for discussion at their meeting held on 20th January 2009 and got it approved for implementation into immediate effect.

These guidelines are divided into two parts – **Part 1** Dealing in securities and **Part 2** – Others i.e. Others i.e. general matters concerning employee recruitment, working, termination, leave etc., fixed assets, office administration, general record keeping etc etc.

PART-1

Internal Control procedures for dealing in securities

1. General

1.1. Any person coming to the company for any enquiry shall be dealt with only by the Person on duty at the reception who shall after ascertaining the details get in touch with the concerned person at the concerned department.

1.2 There upon the person at the concerned department shall either furnish the details called for over intercom and, wherever found necessary, go to meet the person at the reception and discuss with him in the meeting rooms provided at the reception.

1.3 Thus no outsider shall have free access to any place in the office beyond the reception point or to any department or to any system.

2. Client Registration

2.1 No person shall be registered as a client unless he/she comes in person to the office or unless some employee of the company designated to do such functions or authorized in that behalf visits the customer in person and obtains the details as per KYC norms with specified documentary proof wherever required together with the photograph of the intending customer.

2.2 (a) The documents required in the case of individuals are:

- (1) Recent passport size of the client (2 nos).
- (2) Copy of Pan Card, Voters ID or Passport as identity proof.
- (3) Copy of Driving License, Voters Id, Passport, or Bank Transaction statement as address proof.
- (4) Copy of pan card.
- (5) Statement of Bank Account.
- (6) Proof of Educational Qualification.
- (7) Cancelled / Unused cheque leaf.

2.2 (b) In the case of partnership clients the documents required are:

- (1) Certified copy of partnership deed signed by all the partners against their respective names certifying it as true copy.
- (2) Copy of certificate as to registration of the firm issued by the Registrar of Firms.
- (3) Authorization signed by all the partners against their respective names authorizing the partner entrusted with the job of executing documents, and for dealing with the company in all matters connected with dealing in Cash or derivative segment.
- (4) Passport size photo of the partner authorized to deal.
- (5) Copy of pan card of the partnership firm and of all the partners.
- (6) Statement of bank account in the name of the firm.
- (7) Certified copy of proof of educational qualification of the partner holding 51% share.

2.2 (c) In the case of company client, obtain.

- (1) Copy of latest Memorandum and Articles of association.
- (2) Copy of certificate of incorporation in the case of all companies (and in addition copy of certificate to commence business) in the case of public companies.
- (3) List of present directors.
- (4) Copy of Form-32 showing particular of directors filed with ROC with proof of filing.
- (5) Copy of pan card issued in the name of the company and in the name of the directors.
- (6) Copy of Form-18 showing the details of registered office, filed with ROC with proof of filing.
- (7) Statement of bank account opened in the name of the company.
- (8) Resolution passed at the meeting of the Board of Directors authorizing one or more than one among the directors or any other person authorized in that behalf to deal with the company or execution of client registration forms, agreements and or other document in connection there with together with the photographs and DIN of the director concerned.

All the above documents should be certified as true copy by one of the directors or by qualified practicing chartered accountant or a company secretary.

2.3.1 Verify the original of all documents and papers of which copies are furnished and get the copies self-attested by the customer. The company's personnel verifying the same shall also make endorsement to the effect that "verified with the original" in all copies of the above documents.

- 2.3.2 Ensure that the name of the person entered in the KYC is in agreement with the name appearing in the Pan Card.
- 2.3.2 Also ensure that the details of Pan Card furnished are correct by verifying the web-site provided by the I.T department.
- 2.3.2 Wherever there is some difference in the name appearing in the PAN Card and that entered in the KYC, ensure that sufficient documentary proof to that effect is obtained. In appropriate cases, also obtain a sworn affidavit executed before a notary public to the effect that the difference in the name as appearing in PAN Card is by an inadvertence and that the person is one and same in spite of the difference in his/her name appearing in Pan card and in KYC.
- 2.3.2 It is suggested that in appropriate cases advice the client to get the name altered in the PAN Card to suit to the names as per KYC and get a declaration to the effect that it will be so done and a copy of the new Pan Card bearing the names as altered will be furnished.
- 2.3.2 Wherever the client is a partnership firm or a company which is already in existence for more than a year, obtain financial statements of the last 3 financial years. The said statements should be copy of audited statements wherever the gross receipts as per profit and loss account is above Rs.40 lakhs.
- 2.3.3 Ensure that the copy of the bank statement is in the name of the partnership concern or in the name of the limited company as the case may be.
- 2.3.3 Ensure that the client himself in the case of individual and the partner or the director of the firm or the company as the case may be execute the KYC, client's agreement, letters, other documents etc. in the presence the company's employee assigned with the job of client registration.
- 2.3.4 Ensure that the client agreements are duly stamped and that the stamping is marked by affixation of seal there on.
- 2.3.4 All client forms executed at the branch offices should be collected at the H.O. The particulars as per the KYC of all client forms duly executed should be entered in client master in LD by one person which shall be cross checked by another person.
- 2.3.4 Each client should be allotted a client code duly mapping him under a specific branch / sub broker where he /she may execute trades.
- 2.3.5 The client details with client code should he uploaded to the exchange.

2.3.6 The client forms complete in all respect should be consecutively numbered with identification as to location and should be properly stored in such a way that any form can be retrieved any time.

3 Pay - In / Pay Out to Clients

3. a Pay - In - Receipts from Clients

3. a. (i) Ensure that only A/c payee crossed cheques are received from clients.

(ii) Ensure that the cheques received from the clients are from the banking account for which proof of the bank is given by the client. In a case where the cheques received are in respect of a different bank ensure that bank proof (viz. statement, cancelled cheque leaf etc are obtained and added to the existing banking account of the client).

(iii) In exceptional cases, where DD is received a letter signed by the client to the effect that the DD is taken from the bank account, proof of which is already furnished to the company should be obtained.

(iv) Under no circumstances pay in should be received in cash from any client.

(v) The details of pay-in by cheque should be entered into client banking account based on the, information as to pay-in details provided in the Acumen Care (ACE) software.

(vi) In the case of account of non- resident Indians ensure that the pay in received is for the value of securities bought plus brokerage, service tax etc.

3 b) Pay - Out to Client

3. b.1 Client pay-out should be by fund transfer to the account of the client if the banking account of the client is with the same bank where the company also has its account.

3. b.2 In other cases payment to clients should be by crossed cheques made out in the name of the client together with the details of the banking account (of which bank proof is provided) clearly written on the face of the cheque.

3. b.3 In all cases where authorization is given by the clients to maintain the account as running A/c to take care of the dues in various segments as well as to take care of the exposure and MTM margin requirements, pay –out to the clients should be based on specific request for pay – out uploaded by the client in ACE software.

3. b.4 When such requests are received it should be ensured that,

- (i) there is sufficient credit balance available in the client account on the date on which the payment is requested for and if so that
- (ii) the same is placed in an excel format in the common folder for enabling surveillance to view and that
- (iii) the surveillance verifies the payment request and furnishes their approval after verifying the net positions on the date of payment request.

3. b.5 Any payment other than by transfer of funds between accounts in the same bank or by means of issue of cheque should be at a cost to be borne by the client.

3. b.6 In the case of accounts of non-resident Indians ensure that pay-out cheques are issued for the proceeds of sale of securities available after adjusting brokerage, service tax, STT, transaction charges and other deductibles and not for the net value of the trades.

4. Security Transactions

a) Account Activation

4. a.1 Ensure that only those client accounts, details of which are provided to the exchange together with unique client code on client registration and entered in the excel format are activated. Also ensure that the details available in the excel format are correctly recorded.

4. a.2 No trade should be allowed until the client deposits money in the Company's Bank account or provides collateral in the form of exchange approved list of securities of sufficient value, in the client's beneficiary account which is transferred to the Company's margin a/c based on POA. Hence before allowing trade in the account ensure that.

- (i) There is credit balance in the account of the client, or
- (ii) The shares available in the demat account of the client are those approved by the Exchange for providing margins.
- (iii) The Exchange approved shares of sufficient value are transferred to the Company's margin a/c.

4. a.3 Ensure that all clients are informed about the rules concerning margins and Risk Management System.

b) Monitoring of Client Transactions

4. b.1 While it is essential that funds are available in the client account before any trade is effected, it is imperative to ensure that upfront margins are provided by the clients (by cash or by collateral) sufficient enough to enable execution of trade in derivative segments. No client shall be allowed to trade if the client does not have sufficient margin upfront for putting his/her trades through.

4. b.2 Based on money provided in the account or based on value of collaterals, the limits should be set for each client for trading.

4. b.3 Client should be alerted when he/she crosses 75% of the limit set and if it crosses 80% and is about to touch 90%, the position should be squared off.

4. b.4 It should be ensured that client is informed of his/her margin position (i.e.) available margin or shortage as the case may be at the EOD by posting the information in the e-mail ID provided by the client.

4.b.5 It should be ensured that the available trading limit of each client is uploaded at least one hour before commencement of the trade on any day to the website, which can be accessed by all the branches and registered sub brokers for enabling them to inform the clients in advance.

4. b.6 Pay-out requests placed in the excel format in the common folder should be checked for any intra-day positions taken by the client and approval for pay-out should be given only if the balance post pay-out in the account of the client together with value of collateral in the demat account of the client (wherever POA is provided) is sufficient to take care of the trade positions.

4. b.7 Ensure that trades in BE and Z category shares are blocked for trade. If any client wants to buy or sell Z category shares in small quantities it may be permitted only in selective cases once a while and that too to regular clients only. As regards BE category shares, ensure that

(i) Buy trade in such shares are permitted only if sufficient amount is provided by client or the client has sufficient balance in his/her account after reckoning for any intra-day position.

(ii) Sell trade may be permitted only if such shares are available in the demat account of the clients or in the client's name in the margin account who has given POA in favor of the company or in the client name in the margin account.

(iii) Specific request is made by the client for such trades.

5. Scrip Handling

The scrip handling is done by the DP division which is controlled by NSDL guide lines. The DP is subject to regular internal audit. Hence no separate internal control procedures are provided herein.

6. Branches & Sub - Brokers

6.1 Ensure that before trade is commenced in any branch the needed information is uploaded to the exchange and that the trade happens only after such uploading.

- 6.2 Ensure that no person is permitted to act as sub-broker until he obtains registration as such.
- 6.3 All documentary proof required for sub-broker registration as provided in the guidelines provided by the exchange are collected, verified and are transmitted to the exchange.

7. Miscellaneous

- 7.1 Ensure that a welcome letter is sent to all the clients to their address provided in the KYC along with the 1st contract note evidencing execution of the first trade/s in his/her account and copy of the client agreements. This is to ensure that the client gets direct information as to an account having been opened in his/her name and also about the trade executed. The welcome letter should clearly state amongst other things:
 - i) E-mail Id
 - ii) Client Code
 - iii) Information to the effect that contract notes will be in e-form (digital signature).
- 7.2 Call all clients at the telephone number provided and ascertain subtly from them That the particulars furnished in KYC are correct.
- 7.3 Send messages by SMS to the mobile number provided by the client as to the aggregate of the buy/sell transactions in a day as well as about the debit/credit balance in the clients account on a daily basis. This will enable the client to ensure himself that no unauthenticated transaction has taken place in his account.
- 7.4 Ensure that dividend warrants received are credited to the account of the client immediately. While this is easy and can be identified by the client's DP ID appearing in the dividend warrant in respect of shares lying in the client's beneficiary account, it should be ensured that dividend in respect of shares of client lying in the margin account are identified to the respective clients and given credit for.
- 7.5 Ensure that separate banking account is opened for putting through transactions relating to: -
 - (a) Exchange settlement account (for each segment)
 - (b) Exchange dues account
 - (c) Pay-in and Pay-out of clients
 - (d) Pro trading
 - (e) Other matters
- 7.6 Ensure that transfers from the client accounts maintained with the banks do not exceed the brokerage earned plus service tax, and other levies.

- 7.7 Ensure that Pay-in if any in pro trading account should be transferred from the general bank account to client banking account.
- 7.8 Provide the client with quarterly statement of financial and security ledger clearly indicating therein that if no discrepancy is pointed out by the client within 30 days of receipt of the said statement it will be deemed that the entries and the balance in the statements are correct.

By the Order of the Board.

