



### **Internal control system**

#### **KNOW YOUR CLIENT (KYC):**

##### **A. Client Acceptance Criteria:**

Only those new clients would be accepted and allowed to trade with us, who would be referred to us by any of the following:

- 1) Employees;
- 2) Directors;
- 3) Relatives or Family Members of the Directors;
- 4) Existing Clients (trading in any segment).
- 5) Authorized person (AP)
- 6) Online Account opening (Account open by branch and H.O.)

##### **Client Onboarding Process:**

1. Upon expression of interest, send a Client Registration Form (CRF) with a list of required documents.
2. CRF must be signed and filled by the client and submitted to the Client Registration department.
3. Verify documents against KRA and other official records.
4. Counter-sign the CRF if all details are proper.
5. Communicate the client code via a welcome email after completing the procedure.
6. Clients must submit all required documents and margin before being allowed to trade.

**Identification of Client:**

1. As far as possible, no clients will be registered without personal contact (IVP-in person verification)
2. In addition to personal contact, for client identification, proper address and identity proof as prescribed by SEBI as per Uniform Documentary Requirement will be obtained from the client.
3. Details will be matched with the existing details in any of the KRA's and other official websites like MCA.
4. PAN number and a Copy of PAN card will be compulsorily obtained from the client. No trading will be allowed unless the proof of PAN proof is submitted by the client.
5. Aadhar Card Verifications need to be carried out for all individual clients.
6. Ensure that Investors comply with the requirement of linking their Aadhar.
7. In-person verification should be carried out by the staff and our authorized person and his team and stamp & signature should be affixed for in person verification.
8. Checking of PAN Number in PMLA software for any Debarred notice issued by regulator i.e. SEBI, Income tax
9. Copy of KYC documents will be provided to client after generating code in back office software.
10. 6 KYC attributes viz Name, Complete address (including PIN code No. in case of address of India), PAN, valid Mobile number, Valid email-id, Income details/range and details of custodians for the custodian settled clients has been made mandatory for Investors and hence to be taken and all compliances as suggested by the regulator from time to time, to be adhered strictly
11. In instances, where the aforesaid 6 KYC attributes are not updated, the trading accounts would be considered as non-compliant and would not be permitted to trade at the Exchange.
12. To ensure smooth settlement, the investors are requested to ensure that both the trading and demat accounts are compliant with respect to the KYC requirement.
13. The investors are hereby requested to comply with the regulatory guidelines issued by Exchanges and Depositories from time to time with regard to KYC compliance and related requirements.
14. UCC will be uploaded before execution of trades.

SEBI vide Circular No. SEBI/HO/CDMRD/DNP/CIR/P/2021/30 dated March 08, 2021, modified the earlier Circular No. SEBI/HO/CDMRD/DMP/CIR/P/2016/87 dated September 16, 2016 for compulsory verification of PAN and e-PAN while creating UCC for Commodity Derivatives Segment. Further,

**The same be made applicable to all segments where the company is active**

**1. Documents Handling**

We also keep watch on the welcome kits or other documents / letters received back undelivered at the address given by the client. The Principal Officer should be alerted, client be contacted immediately on telephone and email for updating address details immediately otherwise the trading, if suspected, be suspended.

**1. Employee Restriction**

MEHTA EQUITIES LIMITED not preferably sign as witness on the Client Registration Form.

**2. Square-up Policy:**

- The Company has a policy to square-off trades of the clients in case of Margin shortfall.
- Further in case of negative MTM Margin, the Risk Management Team monitors client's position closely follows up with the client for additional margin and also informing them that in case of non-furnishing of the required margin the positions will have to be squared off.

➤ **Funds** System of pay in and pay out of funds from / to clients:

- Pay-in Day is on the (T + 1) basis for normal settlement.
- Payout of funds in Normal Settlement is on (T + 1) basis.

➤ Procedure of Margin collection, if any from clients & maintenance of records thereof:

Margin collection- as per regularity requirement and, maintenance of records in LD software

➤ Any funding is done to the clients: No

➤ Credit / transfer of Dividend to the clients / own dividend:  
Immediately on receipt.

➤ Procedure followed in case of default by client/ AP client:

Follow ups by telephone call and/ or with the help of introducer and /or through mail & letter etc.

➤ Payment to AP: By NEFT /RTGS

➤ Any third party transfer of funds? If yes, policy in this regard: - No

➤ As per SEBI Circular SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021, for the clients having credit balance, who have not done any transaction in the 30 calendar days since the last transaction, the credit balance will be returned

to the client by MEL --- within next three working days irrespective of the date when the running account was previously settled.

## **6. CTCL Terminal**

- 1 From 01/04/2014 onwards the Terminal User should be NCFM / NISM certified within the prescribed period as noted by the Exchange. Before allowing the user to operate the terminal, the copy of NCFM / NISM certificate will be collected and verified with the original.
- 2 The user will be asked to renew the NCFM / NISM certificate on its expiry. If the user fails to renew the certificate, then he would not be allowed to operate the same any further. The renewed copy of the certificate will be re-obtained and verified with original.
- 3 The guidelines laid down by the Exchange for Authorised User and Location of trading terminal will be strictly followed. It would be made sure that there is no issue of trading terminals to unauthorized persons or at unauthorized locations.
- 4 User Data Management -The data regarding new user as well as modification in existing user should be immediately uploaded and documented on modification or issue to the new user as the case may be.

### **CLIENTS TRANSACTION:**

Transactions of few major clients would be monitored, if required and in case of any suspicion from our side of possibility of any malfunctioning of the client. If required, the client will be asked to stop such kind of malfunctioning or may be even asked to stop trading.

### **ORDER PLACEMENT:**

1. The orders will be placed by the respective Dealer as per the instructions from the clients through telephone, mobile, MS, WhatsApp, email , personal visit by client HO and AP office- Keep Visitor register for trades etc.
2. However, it should be made sure that the price put up should not be unrealistic or not representing the correct market price, and all the regulations regarding these be followed from time to time
3. Every time before execution of order a final confirmation of the entire order should be made to the client.
4. The clients should not be induced to either Buy or sell.
5. All rules for risk management, collaterals, margins and allocations to be strictly adhered to

## **6. Trade executed SMS, Sending Contract Notes, Daily Margin statement, Quarterly Statement of Accounts & Annual Global Statement to clients**

MEL send trade confirmation through SMS immediately after trade executed.

- The processing and issue of contract note is centralized at the registered office, Mumbai
- Auto numbering of the contract notes is done through the system and the contract note is initiated to 1 (first contract note) every year on 01st April.
- The **MEL** sends contract notes and daily margin for both Cash & F&O Segment statements on on T day of execution of the trade electronically to all the clients.
- The activity of sending contract notes, daily margin statement and quarterly statement of accounts to clients has not been outsourced to any person.
- **Annual Global Statement** send to the clients within 30 days after the end of every financial year in electronically.
- As per NSE Circular NSE/INSP/47227 dated February 03, 2021 **MEL** send a complete '**Statement of Accounts**' for funds and securities/commodities in respect of each of its clients on weekly basis from Monday to Saturday for each week with 4 working days in the next week.
- The Quarterly Settlement/Retention are sent to clients within 5 days from the date of Settlement whether electronically to all the clients.
- The documents physically sent by courier and proof of dispatch (POD) which is maintained. In case of hand delivery, acknowledged copies of the documents are maintained.
- MEL send trade confirmation through SMS immediately after trade executed.

## 7. Securities:

MEL Direct transfer the shares as per credit balance of client ie, Ledger balance & pledge value – debit ledger balance and rest of securities transfer in CUPSA account, if payment of any client /instruction advice not received from client & AP, will sell the shares & recover the debit amount, on debit amount we are charging interest and debit the amount on monthly basis.

## 8. Internet Trading

Approval: Obtained from the exchange.

ITORS Agreement: Included in the account opening form.

## 9. Execution of POA (Power of attorney) (if applicable) -

Process: POA must be authorized by the client and follow SEBI's prescribed format.

Internal Controls: POA is used only for client pay-in of securities sold.

## 10. REGISTRATION OF INTERMEDIARIES:

1. The procedure as prescribed for registration of Authorised Person's will be followed.
2. Brokerage will be shared with the respective Authorised person only after the Approval of Registration by the Exchange.
3. No Brokerage will be paid to the Authorised Person for the trades executed prior to registration.

## 10. Branch Operation

**Opening/Closing:** Whenever a Branch is opened. An intimation is sent to all exchanges and all the necessary document/details/records are displayed/maintained as per the guidelines issued by the exchange from time to time.

**Client Communication:** Notify clients of branch closures and provide alternatives.

## 11. Closure of Client Accounts –

Client accounts may be closed either by the client themselves or through action initiated by the Company. Upon receiving a written request from the client, the client code is deactivated in both the front and back office systems. The CRF form is marked as closed only after thorough verification of the client's ledger account and receipt of clearance from the accounts department regarding any outstanding dues or margins. Additionally, a written confirmation of account closure is sent to the client.

The Company may also close client accounts under the following circumstances:

- a. If the client fails to meet their obligations within the stipulated time or the time provided by the Company.
- b. If the client fails to provide the necessary documents required under SEBI rules and regulations, despite repeated requests from the Company.
- c. If the client is declared a fugitive under any law in India or abroad.
- d. If the client is declared insolvent under any law in India or if any criminal cases are filed or pending against them, and such information was not disclosed at the time of registration with the Company.

**Dormant Accounts:** The Compliance Officer is instructed to mark accounts as dormant if there is no trading activity for a continuous period of six months. Orders from such dormant clients will not be processed until a written request for activation is received.

**Dormant reactivation Account:** Reactivation requires form, fresh KYC, and income declaration.

**Very Old Dormant Accounts:** Additional in-person verification required.

## 12. Transfer of Client from one branch to another:

In case, Company request received from a client, may allow the client to place his orders through another branch with a written notice to both the branches and/or office memo through email.

In case closure of any branch, the written notice with one-month period is required to be given to all client of the branch giving them option to place their order in future from any other branch or corporate/head office or closure of their account with the Company. The Company also mark all inoperative client account as 'dormant' till the same is closed or reactivated after written request is received from the client.

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

- Active Client master list should be uploaded in the trading terminal and all the orders from the clients should be checked for the client codes in the list. This will ensure minimal wrong code punching by the dealers.
- Dealers should be vigilant in executing the orders of the client. They should check & report to senior authorities if any client is giving order of abnormal quantity or rates. Every client should be contacted after the market hours for trade confirmation.
- The clients should be asked for the settlement of their obligation before settlement date of the exchange.
- Every client must be attended by the staff allocated for the purpose and in his absence, compliance officer must ensure that client is attended by another dealer.
- Order Acceptance: Document orders placed in-person; verify authenticity for telephone orders.
- Dealer should check the margin availability limit of the client before executing any trade on his behalf. No trades will be transferred to code other than entered in trading terminal after trading hours unless there is genuine mistake on part of the dealer of client mentioning the UCC at the time of placing the order.
- Transfer of code can be done only by the 'compliance office' during the allowable time frame by the exchange on system provided by it.
- This step will help us to trace any discrepancies in the trade.

### **14. Business Continuity Planning / Disaster Management Plan**

- For front-office operations, the Company has provided power backup to all dealing terminals so as to mitigate the risk of power supply interruption. The front office has connectivity to exchanges via leased lines.
- For back-office operations, the Company takes daily backup of the records into hard disk of Server. Apart from internal backup, the Company also takes weekly backup on DVDs and keeps copy of it externally in a remote place for safe custody.
- The backups are regularly tested to see their usability in case of any disaster.

### **OTHERS:**

1. Complete confidentiality of Client information should be maintained. No client information would be given except if required by law.
2. Proper records as required by various statutes will be maintained.

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