

Policy regarding treatment of Inactive/Dormant Account

Objective:

The objective of the policy is to appropriately deal with the Inactive/dormant clients, where clients have not traded for more than 6 continuous months.

The policy is also applicable for accounts which have been marked inactive on account of Rules, Bye laws, circulars and guidelines issued by Sebi, Exchanges and Internal Risk Management Policies.

Background:

SEBI vide circular no. dated December 3, 2009 and National Stock Exchange vide circular no. NSE/INSP/13606 dated December 3, 2009 and NSE/INSP/14048 dated February 3, 2010 directed that a policy be framed by stock brokers to deal with the inactive/dormant accounts.

Policy:

Procedure to handle Inactive/dormant accounts:

a) Temporarily Suspending or Closing a Client's account at the clients request:

SFSL may carry out periodic review of the client accounts and may suspend the accounts from trading (i.e. prohibiting any market transactions, only allowing client shares/ledger balance settlement to take place) under *any* of the following circumstances:

- Where the Client is inactive for the six continuous months.
- Where the Client has not cleared his dues after repeated reminders
- Where Physical statements or contract notes, etc. are received back undelivered and the client is not responding to update the correct address.
- Where the client is reported or known to have expired.
- Where client lodges a complaint either directly with SFSL or through the Exchange relating to alleged unauthorized trades being executed in his account.
- Where the account is under investigation by any regulatory body.
- As per direction of the Exchanges, SEBI or any other regulatory body.
- On written request received from the client and the same can be activated on the written request of the client only.

The Client account can be closed on the written request of the client provided the client account is settled. If the client wants to reopen the account then the client has to again complete the KYC requirement.

b) Deregistering a client:

Notwithstanding anything to the contrary stated in the agreement, SFSL shall be entitled to terminate the agreement with immediate effect in any of the following circumstances:

- If the action of the client are prima facie illegal/improper or such to manipulate the price of any securities or disturb the normal/proper functioning of the market, either alone or in conjunction with others.
- On the death/lunacy or other disability of the Client.
- If the client being a partnership firm/any other organization, has any steps taken by the Client and/or its partners for dissolution or liquidation.
- If the Client suffers any adverse material change in his/her/its financial position or defaults in *any* other agreement with the Stock Broker.
- If the Client has made any material misrepresentation of facts, including (without limitation) in relation to the Security.
- If the Client is in breach of any term, condition or covenant of this Agreement.
- Any suspicious information found by SFSL in sites like CIBIL, world check, etc or if there is any commencement of a legal process against the client under any law in force.
- If the client forms a part of the list of debarred entities published by SEBI and/or any action is taken by NSE/BSE/SEBI on the client.

Client account will be considered as inactive if the client does not trade for a period of six continuous months.

All the accounts nominated as inactive / dormant needs to be monitored carefully in order to avoid unauthorized transactions in the account. If the client wants to make the account active after 6 continuous months or there after needs to provide the required documents towards supporting the financial status or the client needs to submit a request to reactivate his/her account. In case there is any change in the information such as; address, mobile number, email id, bank/demat account, financial disclosure provided in KYC at the time of registration as client, the same has to be submitted along with the request. After proper verification of the updated / revised details and approval from the compliance officer / or concerned department in-charge of registration of clients, the account can be made active and transaction can take place.

Process for reactivation of Inactive / dormant account which are inactive for 11 continuous months:

The Client can follow any of the below processes:

1. Client can give the request in writing at any of the branch/main offices of trading member along with documents such as Address Proof – such as Aadhar Card, Electricity Bill, Passport Copy. Identity Proof such as Aadhar Card, Passport Copy, Pan Card and

financial Information required for trading in derivative segment. The Client may also courier/ post the same for activation of account **or**

2. Client can also send an email from registered mail id for reactivation request.

Process for reactivation of Inactive / dormant account which are inactive on account of Risk Management Policies / Non Compliance as per Rules, Bye laws, Circulars and Guidelines issued by Sebi, Exchanges:

Client can give the request in writing at any of the branch/main offices of trading member along with the financial Information required for trading. The Client may also courier/ post the same for activation of account.

On verification of the same and following the AML policy towards existing client the compliance officer / authorized officer can authorize the activation of such Inactive accounts subject to Rules, Bye laws, circulars and guidelines issued by Sebi, Exchanges and Internal Risk Management Policies.

Consequences of Inactive Account

On a client being declared inactive, the client's funds and demat account shall be settled.

Settlement of client account needs to be done as per the periodicity (monthly/quarterly) opted by the client and his/her assets (funds, securities or any other collateral) be returned to him/her and statement needs to be sent to client. Proof of sending the statements of settlement of accounts has to be maintained. Settlement of client account needs to be done at least once in a calendar quarter. In case of interim request received from the client for release of funds/securities, the funds and/or securities will be transferred to his account after due verification of the client as per the procedure mentioned above.

If client has provided running account authorization the funds/securities shall be transferred to client's bank/demat account as a part of daily settlement.

Controls after activation of Inactive Accounts:

1. Trades in such Inactive accounts be confirmed with respective clients by a person from Head Office who has note punched / received such orders.
2. Alert generation & monitoring at Head Office in case of trade in any Inactive account which is made Active.

Review Policy:

This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change on account of business needs and Risk Management policy.