

INTERNAL CONTROL POLICY

1. Registration of clients:

- Clients introduced are verified in – person. Subsequently, KYC in prescribed form for individual and non individual and completed and duly signed KYC with supporting documents are processed at our Head Office at Delhi.
- After satisfactory identification, client is registered and activated and provided with a unique client code. Further, Welcome Letters are sent to respective clients informing them their client code, back office log in access details, etc. The unique client code of each client is then mapped on the respective terminal and trading limits are allocated as per the respective credits and deposits available.
- The KYC form along with PAN and Address Proof documents are sent to NDML KRA as per the time frame prescribed by NDML KRA
- The Completed and duly signed KYCs are kept for records for Audits and Cross checking purposes.

2. Collection and release of payments:

- Subsequent to the trades executed by respective clients, obligation payments are collected by cheques or NEFT/RTGS and same is deposited into designated client account of the Nikunj Stock Brokers Limited.
- Payments are made via account payee cross cheque / RTGS / NEFT in favor of respective clients as per their request.
- No cash collections and /or payments are undertaken or permitted.

3. Collections and maintenance of margins:

- Initial margin is collected through cheque or collaterals and accordingly Margin limit for trading as per defined rules is provided to the client.
- Subsequent to the trading activities of the clients, Margin requirement of each client is confirmed and collected from the respective client.
- Credits so received are posted into respective client ledger / margin statement and margin statement is mailed to the client on daily basis.
- Real time client wise Risk Management is done in derivative segment, along with control on margin & MTM obligations.

4. Collection and delivery of Securities to the Client:

- Securities so sold in the market are called for Pay-in obligation from each respective client.
- Delivery of securities is done as per respective client authorization i.e. either auto transfer facility and/or as per request to the designated client Beneficiary Account.



5. Monitoring of Branches / sub brokers / DP operation etc.:

- We work in Centralized Risk Management / Accounting / Billing & Contracting / Compliance / DP mechanism / functions. We are not dealing through Sub-broker.
- There are pre-set and defined supervisory mechanisms for controlling and monitoring activities of Branches. .
- Concurrent Audits are being performed for DP activities with NSDL and NSE operations as per the guidelines specified by SEBI, NSDL and NSE.
- Routine / Periodic Internal Inspections and Audits are conducted on branches to maintain and control business activities and functions.

6. Operation and compliance requirement:

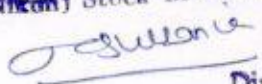
- Unique client code allocated to the client is uploaded to NSE via ENIT.
- Compliance Dept. ensures that Books, records and registers are kept and maintained per prescribed rules and regulations.
- All activities regarding monitoring and redressal of the grievances of the investors and compliance of rules, regulations, notifications and guidelines etc are controlled and monitored by designated Compliance Officer and is periodically reported to the Board.

7. Payment of dividends:

- Credits so received with respect of the dividends on behalf of the clients for securities so kept with us for collateral are credited / posted into respective client ledger statement, on the routine basis, on the date of receipt of dividend in the bank a/c.

8. Continuity planning / alternate plan in case of disasters etc:

- We have set BC and DR policy in place so that business do not suffer.
- Routines / Specific back-up for the records and registers are kept and maintained by designated department and is retrieved at regular intervals for cross-checking its authenticity, etc.

For Nikom Stock Brokers Ltd

Director

NIKUNJ STOCK BROKERS LIMITED

Reg. Office: 59, Transport Center, Near New Subzi Mandi, Azadpur Delhi-110033
Policy on Pre-funded instruments / Electronic fund transfers

DATE OF POLICY: 13TH JUNE 2011

SEBI vide Circular No. SEBI / MRD / SE / Cir-33 / 2003 / 27 / 08 dated August 27, 2003, while specifying the mode of receipt and payment of funds, has permitted the stock brokers to accept Demand Drafts from their clients.

But it was observed that the stock brokers were unable to maintain an audit trail of the funds so received, as the details of the name of the client and bank account-number were not mentioned on such instruments. This may have resulted in flow of third party funds / unidentified money, which was not in accordance with the provisions of the aforesaid circular and would also affect the integrity of the securities market.

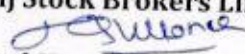
So, on June 9, 2011, SEBI vide Circular No. CIR/MIRSD/03/2011 clarified the procedure by which any pre-funded instruments, such as, Pay Order, Demand Draft, Banker's cheque, etc., can be accepted.

In view of the above, following procedures and documentation to be maintained while receiving funds from the clients through pre-funded instruments, such as, Pay Order, Demand Draft, Banker's cheque, etc.:

a. If the aggregate value of pre-funded instruments is ` 50,000/- or more, per day per client, accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The mode of certification may include the following:

- i. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
- ii. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
- iii. Certified copy of the passbook/bank statement for the account debited to issue the instrument.
- iv. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.

It is the duty of the compliance officer to ensure that no Pay Order, Demand Draft, Banker's cheque should be accepted in the organization if the above mentioned criteria is not fulfilled. The compliance officer will also maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their clients only. In case the bank draft/ pre funded transfer instrument contain the details of the client, the same also need to be considered to ensure no third party funds are used.

For & on behalf of
Nikunj Stock Brokers Limited
Sd/- 
Pramod Kumar Sultania
(Managing Director)

