Internal Control

Lakshmishree Investment & Securities Pvt. Ltd, a SEBI registered Stock Broker and Depository Participant follows a system for internal control with a view to ensure that the rules and regulations of Regulators, Exchanges, Depositories and other authorities are complied with and the internal control and risk of the organization is managed in a smooth manner. For this purpose the company from time to time has laid down certain policies and guidelines.

Introduction/Registration of clients: Before registration of account, we check with the requirements of the various FATF public statements and updated UNSC lists which are circulated by the exchanges. LISPL KYC team is segregated into Checker, Maker & in person verification.

We are maintaining the documents duly filled in the prescribed format for all our Clients. We do in person verification of the client; verify all his documents with original, collect appropriate margin. We do enquire about the annual income for individual client and for non-individual we ask for net worth.

IPV process: With regard to the requirement of SEBI and Exchanges of in-person verification (IPV), to bring uniformity in the KYC procedure across intermediaries, the IPV requirements for all the branches, AP have now been streamlined as below:

- It shall be mandatory for all the HO employees, Branches, AP's, etc to carry out IPV of their clients.
- The employees shall ensure that the details like name of the person doing IPV, his designation, branch, with his signatures and date are recorded on the KYC form at the time of IPV. The employees of the company (HO, branches, Authorised Persons, etc.) visits client in person for the account opening requirements and to ensure the completeness of the registration documents. In some cases, client personally visits the broker' office and/or branches to complete the required documentation for the opening of an account.
- Web-cam facility for verifications of the clients will be available where it is practically inconvenient to visit.

Along with the welcome letter a copy of complete set of KYC documents is sent to client immediately on activation of his/her Account to ensure the existence of the client.

We ensure smooth KRA process and CKYC process along with registration of client:

KRA process: KRA Process starts once account gets opened in back office system. We successfully upload new client data on KRA. Self attested Documents with IPV stamp. Documents like PAN and Address Proofs along with KRA Page is timely uploaded. We do KRA process for existing client and also modify the details if required and upload relevant documents on KRA.

CKYC process: CKYC Process starts once account gets opened in Back office System

For Fresh Accounts

CKYC Process starts once account gets opened in Back office System
1. Check whether client CKYC registered or not in CKYC search option.
2. If not than KYC image scanned and crop as per CKYC requirement
3. We generate CKYC Batch file from Back office system/utility
4. Once Data file created than exported to CKYC portal
5. Once data file is uploaded SUCCESSFULLY after confirming with response file
6. CKYC Number has been updated in Back office software.

For Modification
Post client details is Modified in Back Office system, we check and change the details on CKYC site if required and then upload relevant documents on CKYC portal.

For Dormant Account:

If Clients does not trade for a period of six months at a stretch, he is mark as dormant. Reactivation process is as per policy

For Suspended Account:

A suspended account is activated only on receipt of all updated KYC documents or on fulfillment of reason of suspension. An account may be suspended by the compliance officer if client fails to meet his obligation time & again or has a continuing High Risk profile.

For Closure of Account:

In closure of account we do insist client to give closure letter for the same. In case of one client want to shift from one place to another we facilitate the same.

Once the closure received from the client

The following details verified: 1. DP ID and Client ID 2. Existing details like name and address – it should match the records. 3. Reason for closing the account. All holders are required to sign the closure request form.

After verification we initiate closure process and intimate the client.

Client Code Modification: We change code only in case of genuine error i.e. punching error, typing error (similar client code and name) and communication error. We route genuine error through error account. And there is no mis-utilisation of this facility.

Funds: Funds pay in and payout is smoothly taken care by our accounts team. The funds collection details received through transfer, RTGS NEFT and cheque is captured in our back office software. cheque collected is entered in system and then sent in bank for clearance. In case of payout, we generate the payment settlement wise and due wise. Third party payment is not given to any client strictly. No payment is made through demand draft or pay order. If RTGS / NEFT payment is made, details are verified with back office.

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 or orders for trading in penny & illiquid stocks.
- 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.
- However all telephonic communication in the dealing room is record on a voice logger, logs of which are maintained for a reasonable period of time even after settlement of trade.
- Staff/dealer should check the margin availability /credit limit of the client before executing any trade on his behalf.

Terminal Related:

The Terminal User should be NISM certified. Before allowing the user to operate the terminal, the copy of NISM certificate is collected and verified with the original.

The user will be asked to renew the 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.

The guidelines laid down by the Exchange for Approved 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. In case of Branch when we setup any branch we give the terminal after completion of the norm set by the exchange. 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.

Contract Notes, Statements of Accounts & Daily Margin Statement

We send Contract note, margin statement & statement of Accounts to the client in prescribed format and in timely manner.

Securities:

Client give the instruction slip to the DP or executes POA and we get the shares on payin date for payin same way as per the master we transfer the shares on the payout date to the client as per exchange and SEBI norms.

Execution of POA (Power of attorney): Client executes a power of attorney (POA) in favor of the LISPL (CM) for executing delivery instructions for settling stock exchange trades effected by the client.

Opening & Closing of branches: For opening new branches we first do the agreement (L&L, Rent) after assessment of the potential place.

After all administration formalities and work, we open the branch.

In case of closure of branch, we clear all the dues of the landlord if any. Intimate the client for closure or shifting of the branch.

Brokerage Charged:

LISPL follows the policy of charging brokerage not more than the maximum permissible brokerage as per the rules and regulation of the exchange/ SEBI. Brokerage shall be charged as
per the rates agreed upon with the client at the time of registration. The brokerage amount debited to the client does not include any exchange related charges, statutory levies and any other charges. Any other applicable taxes imposed by statutory authority including securities transaction taxes, duties, service tax, etc. will be paid by the client separately as may be levied on the transactions from time to time.