

**Frontline Capital Services pvt Limited**  
**B-22 Sector – 4 , Noida – 201301**

**ANNEXURE-I**

**INTERNAL CONTROL POLICIES AND PROCEDURES**

<b>Sr. No.</b>	<b>Areas of Internal control</b>
1	On boarding of Client and Client Identification
2	Issue of Trading Terminal
3	Margin Collection
4	Transaction of Clients
5	Placement of Order
6	Collection and release of payments to clients
7	Collection and Delivery of Securities to clients
8	Operation and Compliance Requirements
9	Closure Account / Dormant Account

## **1. Acceptance of Client and Client Identification**

### **Responsibility : Aditya Tiwari, Dinesh, Manu Jain**

- We accept clients who are introduced by our existing Clients, employees and any other reliable source.
- KYC procedures as prescribed by SEBI/Stock Exchange / Depositories is followed while ascertaining the identity of the clients and opening the new accounts.
- In-Person verification is carried out by the Dealer / Compliance Officer / Staff member. All the documents collected is verified with original by the Client Registration Department (Compliance officer, 01 Dealer and 01 DP Staff) and a stamp "Verified with Original will be affixed and signed 'by the person verifying it.
- In Case of Outstation / NRI Clients we take a copy of Valid VISA stamp which shows the date of visiting india. If the NRI client is not visiting india, then the investor has to get all his document verified from the embassy of his country.
- The copy of Duly completed client registration document Containing his email id and UCC is given to new clients and the acknowledgement for the same is taken from him.
- While opening the depository and trading account the title of the account is maintained in the same style and pattern as it appears on the PAN Card.
- At the time of account opening the name of the client is searched through the Internet search engines (<https://www.bseindia.com/investors/debent.aspx>) and ([https://www.nseindia.com/invest/content/regulatory\\_actions.htm](https://www.nseindia.com/invest/content/regulatory_actions.htm)) to ascertain if there is any defaults or liability on him.
- Identity Proof of Banking Account and demat account is obtained before entering the details of bank and demat account in the client master database.
- PAN number and a Copy of PAN card is compulsorily obtained from the client. No trading is allowed unless the proof of identity and Address is submitted by the client.
- All the guidelines issued by Exchanges on KYC / KRA is followed.

## **2. Issue of Trading Terminal**

- The guidelines laid down by the Exchange for Approved User and Location of trading terminal will be strictly followed. We ensure that there is no issue of trading terminals to unauthorized persons or at unauthorized locations.
- The data regarding new user as well as modification in existing user is immediately uploaded and documented on modification or issue to the new user as the case may be.

### **3. Margin Collection**

- Any exposure to the client is subject to the collection of adequate margins from the clients.
- The margins collected would be as per the requirements of the Exchange.
- Margins collected would be in the form of Shares, Cash or Credits.
- In cash segment margin would be collected at the discretion of management.

### **4. Transactions of Clients**

- The senior person shall periodically generate and review the exception report by processing the transaction and master database with a view to filter out the clients and transactions.

### **5. Placement of Order**

- The clients are identified by asking them the Unique client code assigned to them by us or if the client does not remember his client code then we verify other details like his PAN number and date of birth etc.
- The orders is placed by the respective Dealer as per the instructions from the clients.
- Each terminal has a Trading limit defined on the basis of the turnover handled by the dealer sitting on that terminal.
- The dealer is asked to make sure that the price asked by the client for putting up order should not be unrealistic and should represent the correct market price.
- Generally before execution of order a final confirmation of the entire order is made to the client.
- The clients is not induced to either Buy or sell.
- We have proper recording systems to keep control over dealer.
- The daily transactions done by the client is confirmed to him by the way of contract note file is sent to the client on his registered email id.

### **6. Collection and release of payment to Clients**

- The payin and payout of Funds from /to clients is verified from Back office software accordingly The Payment to clients are made on T+2 Basis. For clients who have given Running Account Authorisation to us the Payout is done only on the Specific request of the clients or Monthly /Quarterly Basis.

- In case of Own trading for all the debits the payment is made by the company.

- In Case of F&O Trading we collect the margin on or before the Trading day. For M2M in F&o it is collected on T+1 Basis.

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- For capital market segment, In case there is any delay in payment in from any client then we do temporary funding to the clients from our own capital.

- Third party payment of funds and delivery is not be accepted or given.

- No cash is accepted from client or paid to the clients towards the settlement obligation

- No payment is accepted through Bankers Cheque or Demand Draft.

- Payment of funds is given only by account payee cross cheques in favour of the account holder.

- In Case of default in payment by client, the shares of client are held for next 5 days and if the payment is not received within next 5 days the shares are liquidated in Market for collection of debit balance.

- Dividend received for the shares of Client, is passed on to the client within 30 days from receipt of the Dividend.

## **7. Collection and Delivery of Securities to the Clients**

- Client securities payout is made on T+1 basis if we had received the payment within that time.

- We maintain a seperate "Own Beneficiary " Account for our own shares" and seperate "Client Beneficiary" Account for Client shares.

- Clientwise segregation of securities is maintained by our back office software.

- Deliveries of demat shares shall be given only to the demat account Id registered in the master records.

- On shortage of securities for Pay-in, clients are informed on T + 1day and securities are received on T+1 day. On non receipt of securities for Pay-in, clients are informed for shortage and auction.

- Back office software shall give alert and restrict the entry of demat deliveries if source details is not matching with the master records.
- We ensure that there is no misutilisation of clients securities we maintain separate account for Own Shares and for Client's Securities.

### **8. Operations and Compliance requirement**

- Generally exchange/SEBI byelaws, **rules**, regulations and circulars received from time to time for conducting operations and following compliance stipulated by exchanges/SEBI \will be followed.
- Annual compliance requirement of all Exchanges is submitted regularly.
- All the compliance requirements is submitted in time to all the exchanges.

### **9. Closure of Accounts / Dormant Account**

- If the client does not trade for one year the account becomes dormant. For reactivation of dormant account the KYC of the client is checked again. The latest financial details are asked and only after complete due diligence the account is re activated.
  - If it is a old dormant account i.e. More than 2 years old then the KYC of the client is done again.

**For Frontline Capital Services pvt Limited**

**Director**