

BNK Securities Pvt.Ltd 2 Palm Avenue, Kolkata 700019

Internal Control Systems and Policies

(Reviewed and admitted by Board of Directors on
30th November 2021)

BNK Securities Pvt. Ltd., a SEBI registered Stock Broker and Depository Participant and Category I Merchant Banker, follows a system for internal control with a view to ensure that the rules and regulations of regulators, government agencies, 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. BNK tries to ensure that all the requirements of the Regulators, Exchanges, Depositories, and Government Agencies etc. are incorporated in respective policies or formulated as a separate policy. However there may be difference in names or presentations as it also incorporates other guidelines for its internal controls. All care has been taken by the Board of Directors to ensure that there is no lapses in the same. Even if, any guidelines has escaped attention it shall be deemed to have been incorporated in the spirit of such guidelines. In case of any contravention in the policies and guidelines laid here under the policies/guidelines of Regulators, Exchange, Depositors etc. shall prevail.

The company has a compliance team led by compliance officer, sales and marketing team, research unit and a suitable back office team to ensure smooth operation. Over and above the company has an internal audit system to commensurate to the size of the operations.

BNK reserves right to make changes in the Internal Policies and Procedures, as may be required from time to time. Such changes shall be notified to the clients and shall also be uploaded on BNK's website. These policies are reviewed in the meeting of Board of Directors from time to time. These policies are applicable across organization wherever applicable.

Various policies/guidelines are as under:

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Internal Policies & Procedures

The Board of Directors of BNK Securities Pvt. Ltd. (BNK) have adopted the following Internal Policies & Procedures in terms of SEBI Circular: MIRSD/SE/Cir-19/2009 dated 03.12.2009 forming integral part of the Member Constituent agreement in their meeting held on 29/03/2010 at the registered office of the Company.

a) Refusal of Orders for Penny Stocks:

- BNK shall have absolute discretion to term a stock as "PENNY". As per our policy, "PENNY STOCK" can be referred to as the stocks which are appearing in the list of illiquid securities issued by the Exchanges (Posted on their website) every month and any other stocks which BNK might consider to be illiquid. The details of such stocks will be posted on the website of BNK.
- BNK at its discretion can accept, refuse or partially accept any buy or sell order for execution from the client in respect of such scrips. BNK may allow restrictive acceptance of orders in such scrips and may demand appropriate declarations and additional margin from the client before accepting order of such stocks. BNK may cancel orders in such scrips received by the clients before execution or partial execution or place any other kind of restrictions on the trade on such scrips without assigning any reasons thereof to the client.
- BNK shall not be responsible for any consequential opportunity loss or financial loss that a client may incur from delay or non execution of orders in penny stock.

b) Setting up Client's Exposure Limits:

- BNK may give an exposure limit which would be a multiple of the clear ledger balance in the account plus value of the shares given as collaterals computed after applying appropriate haircut depending on the risk profile of the client. In F & O segment exposure is given on the value of initial margin after applying appropriate haircut. The exposure limit may be changed based on the volatility in the market and quality of collaterals.
- BNK may set different exposure limits varying for different clients depending on the credit worthiness, integrity and past conduct of the client. The client agrees that BNK shall not be responsible for such variation, reduction or imposition or the clients inability to route any order through BNK's trading system on account of any such variation, reduction or imposition of limits.

c) Applicable Brokerage Rate:

- BNK 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 is however subject to change at the discretion of BNK in consultation with the Client. 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. Total Brokerage including other charges and excluding statutory levies will not exceed the 2.5% limit.

d) Imposition of Penalty/Delayed Payment Charges by either party, specifying the rate and the period (This must not result in funding by the broker in contravention of the applicable laws)

- Clients will be liable to pay late pay in/delayed payment charges not exceeding 2% per month for not making payment of their pay-in obligation on time as per the exchange requirement or net ledger debit as applicable.
- BNK may impose fines/penalties for an orders/trades/deals/actions of the client which are contrary to this agreement/rules/regulations/bye laws of the exchange or any other law for the time being in force, at such rates and in such form as it may deem fit. Further where BNK has to pay fine or bear any punishment from any authority in connection with/as a consequence of/ in relation to any of the orders/ trades/deals/actions of the client, the same shall be borne by the client.

e) The right to sell clients' securities or close clients' positions, without giving notice to the client, on account of nonpayment of client's dues (This shall be limited to the extent of settlement/margin obligation)

- BNK shall be entitled to liquidate client's securities, both unpaid securities as well as collaterals deposited towards margins or close out client's open position, without giving notice to the client for non-payment of margins or other amounts including the pay-in obligation, outstanding debts etc and adjust the proceeds of such liquidation/close out, if any, against the clients liabilities/obligations. Any and all losses and financial charges on account of such liquidations/closing out shall be charges to and borne by the client.
- In case the payment of the margin/security is made by the client through a bank instrument, BNK shall have absolute discretion to give the benefit/credit for the same only on the realization of clear proceeds in BNK bank account. Where the margin/security is made available by way of securities or any other property, BNK is empowered to decline its acceptance as margin/security and/or accept it at such reduced value as BNK may deem fit by applying haircuts or by valuing it by marking it to market or by any other method as it may deem fit. BNK has the sole discretion to decide referred stipulated margin percentage depending upon the market conditions.
- In event of death or insolvency of the client, BNK may close out all outstanding positions of the client, adjusting the loss incurred on such closures with the margin deposited by the client and claim further shortfalls, if any, against the estate of the client. The successors or heirs of the client shall be entitled to any surpluses which may result there from. The above action is at the sole discretion of BNK and may vary from client to client. It shall not be under any obligations to undertake the exercise compulsorily. BNK shall therefore not be under any obligation to compensate or provide reasons of any omission or delay on its part to sell client's securities or close open positions of the client.

f) Shortages in obligations arising out of internal netting of trades

Policy for settling shortage in obligation arising out of internal netting of trades is as under:

- The securities delivered short are purchased from the market on T+3 day and the purchase consideration (including all statutory taxes & levies) along with a

Penalty is debited to the short delivering seller client. In case the shares are not available for purchase for any reason then the shortage will be closed out as per the prevailing rules of the respective exchanges. Currently, the penalty levied amounts to- NSE clients charged a flat rate of Rs. 0.40 on value of purchase and BSE Clients charged @ 1% on value of purchase consideration.

g) Conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client.

- Client unable to meet his pay-in obligation as per exchange requirement irrespective of the value of collaterals available.
- Long pending debit balance in the client's account.
- Margin shortfall not compensated by the client.
- Dishonor of Cheque
- Client dealing in "illiquid" stock as declared by BNK.
- Transactions which may appear to be suspicious in nature
- Where based on the happening of an event, BNK has a risk perception that further trading in the contracts/securities may not be in the interest of the clients and /or the market.

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

BNK 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 last six 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 BNK 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.

i) Deregistering a client:

Notwithstanding anything to the contrary stated in the agreement, BNK 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 BNK 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 SEBI/Exchanges or any other body on the client.
- Inactive client account will be considered as inactive if the client does not trade for a period of six months. Calculation will be done at the beginning of every month. In such cases BNK may block or deactivate a clients account. A written request has to be made by the client for reactivation of their deactivated account.

Changes in Internal Policies and Procedures:

- BNK reserves right to make changes in the Internal Policies and Procedures, as may be required from time to time. Such changes shall be notified to the clients and shall also be uploaded on BNK's website. Such changes shall be deemed to be accepted and agreed by the clients unless otherwise informed to BNK within 15 days of the notification thereof.

POLICY REGARDING REGISTRATION OF CLIENTS

Policy for acceptance of Clients

Directors have decided to accept new clients (Individual & Corporate) only after verifying with reference and following the already implemented procedure of obtaining KYC. To further strengthen the system, PO has decided to get the KYC of all existent clients rechecked. The KYC form obtains the requisite information regarding the identification of the Client, beneficial ownership, demat details, Income Tax details & identification etc.

Client registration System

The Know Your Client (KYC) booklet should be signed by the client. The required documents should be collected from the clients strictly as per the documents mentioned in the checklist of the KYC booklet. KRA if not done, should be completed with KRA authority.

- Primary KYC documents checking including interview of client by sales and marketing team.
- Final Checking by including interview, if required, by compliance team.
- Final review by Compliance officer / Internal Auditors/ Management
- Allotment of Client Code
- Uploading the client details to the Exchange by back office staff.
- On receipt of Valid Report from exchange intimate the codes to clients
- Filing of Client Registration Kit and updation of Index by compliance team
- Periodical Review of financial data on yearly basis of active clients by compliance team
- Deactivation of Client Code by back office staff on receipt of written request from Client and/or instruction from Compliance Officer/ Directors
- Keeping client Registration kit of closed account separately.

Procedure for identifying the Clients

Once KYC is obtained & verified with original documents & reference, the directors have authorized the Compliance Office with power to cross verify any information with other sources before upload.

Company has implemented a procedure in back office to identify the clients with normal turnover, Higher turnover & with no turnover on monthly basis. It also verifies whether the client is investor/trader/both. These information is again verified with payment details by finance department of the company. Clients have also been segregated on

group basis like referred by a particular Sub Broker, or related to a particular family group, Institutional Clients/Non Resident Clients/ Higher Networth Clients/ Corporate Clients / Trust etc / Foreign Corporate or FIIs / distant clients/ others etc.

Transaction Monitoring & Reporting:

All employees/ sub brokers/ branch heads have been given specific instructions on reporting all Suspicious Clients, suspicious monetary transactions and also business transactions which do not commensurate with the information & standing of the Client.

Employees and/or Terminal Users have been specifically asked to report on daily basis all exceptional transaction taken place on the terminal with detail of Client and also corresponding monetary transactions to the (like banking detail of payments).

Steps are also been taken to update KYC on a regular basis for all the existent clients.

Dormant/Inactive/Suspended Clients

a. The compliance Officer has been given specific instructions to mark a client dormant, if he does not trade for a period of six months at a stretch. Once a Client is marked dormant in back office and his code is blocked in CTCL/IML system, no order from such client is executed till either a written request for activating his trading code is received or client personally comes and sign the request letter or if request is made over telephone, before execution of order/trade, the dealer must call the client over his registered number to confirm. This is to be followed by a letter /email to this effect. Further, in case of dormant account, if client request for trade in derivative segment, the compliance officer must obtain self attested requisite updated financial statements from the client before his request is accepted or entertained.

b. The compliance officer is responsible for marking a client inactive incase the client has not trade in any financial year. A dormant account in one year is also treated as inactive if the same is not activated by the client in subsequent financial year. An inactive client code is made active only on receipt of updated KYC documents, if there is any change in the documents. However, updated financial statement is a pre-requisite in case an inactive account is reactivated.

c. 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.

d. Closed Account: An account is closed on written request of the client on fulfillment of his obligation or completion of the obligation of the broker after receiving request of

closure from the client. An account may also be closed, if management so decides after fulfillment of its obligation & giving a notice in writing to the client. Management may also close an account if it remains inactive for more than one year or remains suspended for a reasonable period of time by giving notice in writing after fulfilling its obligation.

Management at its discretion holds right to close any account if it remains inactive for a period of more than three years and has not fulfilled KYC requirements.

TRADING POLICY:

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.

Every Client should be asked to give his/her order in writing or provide written confirmation for accepting order over telephone. However all telephonic communication in the dealing room is record on a voice logger, logs of which are maintained as per SEBI directive.

Staff/dealer should check the margin availability /credit limit of the client before executing any trade on his behalf.

SETTLEMENT POLICY:

PAYMENT POLICY:

1. Payments to clients shall be made on Pay out basis i.e within 24 hours of pay out (T+2 day) . In case of outstation clients payments are made either by branches or cheques are sent directly by head office on payout. BNK shall encourage digital payments.
2. For clients who are desirous of keeping the pay out money with us as margin money can do so by giving necessary instruction in writing to that effect mentioning therein not to issue cheque until a written request is made. However his account will be periodically squared off in terms of the SEBI/Exchange guidelines.
3. For clients who are desirous of keeping the pay out money with us for future transactions can do so by giving necessary instruction in writing to that effect mentioning therein to keep their account as 'running account' and periodical cheque may be paid or received. However his account will be periodically squared off in terms of the SEBI/Exchange guidelines.
4. Clients, who have debit balance in one segment and credit balance in other segment will be paid only if their net balance is credit.
5. Margin Money to the clients will be returned only after adjusting debit balance, if any, in their account and/or if they have not defaulted in their obligation to deliver shares/securities.

RECEIPT POLICIES

1. Cheque from clients would be accepted only of those banks whose details have been provided during client registration. BNK will encourage the practice of digital receipts.
2. No third party cheque would be accepted.
3. No cash payment is accepted. However the Directors have its discretionary power in extreme circumstances.
4. The branches should mail the details of the cheque deposited directly to the bank at accounts@bnkcapiatal.com and sanat.mondal@bnkcapiatal.com. The branches/clients should ensure that the mails should be received by HO by 6 pm so that the benefit of the payment made by the clients can be posted to the ledger on the same day.
5. Clients are advised, if they deposit cash/cheque /make payments through RTGS/NEFT, directly to company's account they should intimate the accounts team , so that the payment can be tracked and necessary credits may be given to respective clients.

SECURITIES

Collection of securities

1. To ensure that clients are delivering the shares from their own account and all the deliveries to/from the clients correspond with the details provided by the client with their registration. The Securities may however be made available for pay in obligation from the clients hold back margin account if he holds the same in it.
2. The statement should be checked with the securities obligation of the clients. Any third party delivery from the clients should not be delivered to clearing house.
- 3 No credit to clients should be given even though shares received from third party has been delivered to clearing house due to any technical reasons beyond management's control. If client provides sufficient written proof of ownership of such account/share, than after updating client database, client may be given effect of the same.
4. The reports provided by Exchange should be used to check whether there is any short pay-in/ out of securities to/from Clearing house

Delivery of Securities

- 1 The company will be making direct pay-out of shares to client account of which details are given in Client Registration Kits.
2. The direct pay-out file should be created by the back office software.
3. The instruction slip for shares delivery from the Pool account in case of client to client transaction or break delivery from the Clearing house should be signed by any of the directors/ authorized persons.

4. Pay out shares shall be given to clients only when they have clear balance in their ledger account. (*the clear balance means that cheque issued by clients should have been cleared in bank.) BNK at their discretion may waived this conditions under special circumstances.
5. Shares of clients having debit balance will be kept with the company in client unpaid securities account (CUSA). The securities in CUSA would be sold within 5 trading days from the date of payout, to realize the amount not received and after taking into account credit lying in the client account balance securities /funds would be transfer to the clients respective Demat account/bank account. BNK shall sell the shares as per its discretion.
6. In case shares are sold/transferred which are lying in Demat accounts applicable charges may be debited to the clients account.

MARGIN POLICY

Capital Market Segment

1. Margin shall be applicable as per SEBI / Exchanges rules applicable for time to time However BNK has right to higher deposit margins than that prescribed.
2. No Purchase order will be entertained unless 10% upfront margin or credit balance is lying in the client account. This is waived in case of Institutional or HNI Clients. The compliance officer shall have the discretion to waive margin for Cash Market Segment.
3. In case where margin is exempted to any client, the payment must be received before the pay in obligation.
4. No short sale will be allowed.
5. Sale order will be executed only on delivery of shares to respective DP account before orders are executed unless management allows the shares to be sold before receipt of shares.
6. On non delivery of shares in time due to fault of client, auction charges along with 10% extra fine will be payable by the client.

Future & Option Segment

1. No trading will be entertained unless up front margin is received in advance for value of trade to be executed on behalf of any client.
2. Margin will be accepted in 'Cash' or cash equivalent / collaterals with proper haircuts only unless management decides otherwise.
3. If margin is accepted in the form of shares, a haircut /VAR as per existing rule will be computed on the price at the day end. All short fall will have to be met immediately by the client in cash or shares or before opening of next trading session. No letter or written communication in this regard will be sent to any client for shortage of margin. The client will be responsible for any shortage of his margin with us for his outstanding trades.
4. No complain will be entertained for squaring off of outstanding trades or liquidating of margin by the management in absence of short fall of margin at any stage by the client. It will be sole discretion of the management to decide on 'spot' whether to square off outstanding trades of a client and margin be liquidated to meet the short fall.
5. Any amount payable on account of 'Mart to market' has to be paid in cash by the client before opening of next trading session. Amount paid must be in the form of RTGS/NEFT/ clear bank balance cheque given on the day of trade. If clear balance of margin/ MTM

are not available, the management will at its sole discretion square off the trades of any client, which in its opinion can put the company or its other clients to risky situations.

REPORTING POLICY

Contract Note/Accounts/Reports/Alerts

After trading time the trade data is imported and Contract Note cum Tax Invoice (Tax Invoice under Section 31 of GST Act)is generated along with annexure to contract note (average rate),Vallan Bill (Statement, Net Obligation), daily margin report are send to the clients on their respective email account. These are all password protected and digitally signed.

Obligation of reporting the status of alerts generated by BNK

- BNK to maintain register (electronic/physical) for recording of all alerts generated.
- While reviewing alerts, BNK shall obtain transaction rationale, verify demat statement and also obtain supporting documents as required from the client.
- After verifying the documentary evidences, BNK will record its observations for such identified transactions of our Client.
- With respect to the transactional alerts provided by Depository, BNK shall ensure that all alerts are reviewed, and status thereof (Verified & Closed / Verified & Reported to Depository) including action taken is updated within 30 days. Detailed procedure w.r.t sharing of alert by CDSL with BNK and report submission by BNK in this regard will be provided separately.
- With respect to the alerts generated at the BNK end, BNK shall report instances with adverse observation, along with details of action taken, to CDSL within 7 days of the date of identification of adverse observation. Detailed procedure w.r.t reporting of alert by Participants will be provided separately

Obligation of Compliance officer and Internal Auditor/Concurrent Auditor of the DP

- period of audit. Internal auditor shall record the observations with respect to the The surveillance activities of BNK shall be conducted under overall supervision of its Compliance Officer.
- A quarterly MIS shall be put up to the Board on the number of alerts pending at the beginning of the quarter, generated during the quarter, processed and acted upon during the quarter and cases pending at the end of the quarter along with reasons for pendency and action plan for closure. Also, the Board shall be apprised of any exception noticed during the disposal of alerts.
- Internal auditor of DP shall review the surveillance policy, its implementation, effectiveness and review the alerts generated during the same in their report.

- Internal Auditor shall verify that the quarterly MIS is prepared and placed before the Board of the BNK

Obligation of Quarterly reporting of status of the alerts generated by BNK

BNK also provide duly approved status of the alerts on a quarterly basis, in the following format to CDSL within 15 days from end of the quarter.

Status of Alerts generated by the Depository:

Name of Alert	No. of alerts pending at the beginning of quarter	No. of new alerts generated in the quarter	No. of alerts Verified & closed in the quarter	No. of alerts reported to Depository	No. of alerts pending process at the end of quarter

Details of any major surveillance action taken (other than alerts reported to Depository), if any, during the quarter:

Sr. No.	Brief action taken during the quarter

Branch Control Policy

1. Compliance Officer with the assistance of backoffice and IT team will be responsible for checking & controlling day to day affairs of the branches for any trading problems.
2. Branches will be opened for sole purpose of allowing clients to get their orders executed. Clients will be allowed to trade from only one specified branch for better control & service. Branch manager will be responsible for all activities & trades executed from any branch and solving any client related problems in consultation with compliance officer. In case of technical problems at the branch trades will be executed from H.O.
3. All Client Registration Kits will be approved at the head office and will be required to be counter signed by the branch head from where client has shown his interest to trade. Branch head will be responsible for all trades executed from his branch and putting all surveillance system to keep tab on 'unfair' trade practices.
4. All contract notes will be generated at head office and will be sent to all clients by post unless otherwise desired for.

Client Code Modification

With reference to SEBI circular ref. no. CIR/DNPD/6/2011 dated July 5, 2011 regarding modification of client codes of Non-Institutional trades. As per the SEBI circular, the following client code modifications would be considered as genuine modifications, provided there is no consistent pattern in such modifications :

- I. Where original client code/name and modified client code/name are similar to each other but such modifications are not repetitive.
 - II. Where original client code and modified client code belong to a family. (Family for this purpose means spouse, dependent parents, dependent children and HUF)
- Shifting of any trade (Institutional or non institutional) to the error account of the M/s. BNK Securities Private Limited shall not be treated as modification of client code under SEBI circular dated 5, 2011, provided the position arising out of trades in error account are subsequently liquidated/closed out in the market and not shifted to some other client code.
 - The Company would be required to disclose the client codes which are classified as 'Error Accounts' to the Exchange at the time of UCC upload. No transaction entered into error code should be allowed to be transferred to any Client Code.
 - Compliance Officer will be responsible for daily monitoring of the error code transactions and no transaction will be entered into error code without the permission of the compliance officer.
 - A daily report of transactions entered into error code will be required to be approved at day end by the Designated Director overseeing the operations of the company.
 - Compliance Officer is also required to provide Daily Dealer wise error list to the designated director for appropriate action on the dealers for repetitive nature of error made by the dealer.
 - However, any client code modification of trades of capital market (delivery based) due to the error of client code entry by the dealer, if not routed through error code, will be treated as genuine client code modification by the directors only if its modification is justified before the designated directors. However, such cases will be exceptional & cannot be regular in nature and no square up transactions will be considered as exceptional.

RISK MANAGEMENT POLICY

- Clients with monthly turnover Rs. 5 cr & above should be monitored on monthly basis.
- Dealers should be vigilant in executing the orders of the client. They are expected to execute the order on confirmation of client identity and also should check & report to senior authorities if any client is giving order of abnormal quantity or rates.
- All client saudas should be confirmed over phone at day end and should be requested for payments and delivery of securities before settlement date.
- All the payments of funds/delivery of securities received from client, should correspond with the detail's available with us. This should be checked on daily basis.
- Reviewing of Clients position should be carried on weekly basis and client should be followed up seriously for overdue of 7 days.
- Financial Strength of clients should be updated at regular intervals e.g IT return, Bank Statement, DP Holding etc.

As Stock Broker & Depository Participant of the Company shall carry out Due Diligence of their clients on basis. It shall ensure that the kyc parameter of the clients are updated as prescribed by SEBI or any other regulatory body and the latest information about the clients shall be updated in the system. The Due Diligence Policy of the company is defined in detailed in PMLA Policy of the company.

Obligation Client due diligence:

The following activities required to be carried out for client due diligence:

- i. BNK shall carry out the Due Diligence of their client(s) on an on-going basis.
- ii. BNK shall ensure that key KYC parameters of the clients are updated on a periodic basis as prescribed by SEBI and latest information of the client is updated in Depository System

SURVEILLANCE POLICY

Applicability & Awareness

The Board of Directors has approved the following guide lines in order to carry out the policy for surveillance as necessary for the company to manage internal control of the Company

Objective

A market can be considered efficient if no single entity or group of entities can influence the price discovery based on available information and / or demand and supply. The main objectives of the system can be summarized below:

- ☐ To detect potential abnormal activity
- ☐ Capture real time data on surveillance system
- ☐ To generate alerts in case of aberrations

A. BNK shall frame a surveillance policy based on nature of DP business (i.e., Bank, Stockbroker, Custodian etc.), type of clients, number of demat accounts, number of transactions etc. and which shall, inter alia, cover the following:

- iii. Generation of suitable surveillance alerts which may be guided by indicative themes (the list is inclusive and not exhaustive) given in point B below
- iv. Review and disposal of transactional alerts provided by CDSL (Transactional alerts provided by CDSL will be based on some thresholds. BNK may have their own different thresholds or own parameters to generate additional alerts of their own in point I above, so as to detect any suspicious transaction activity).
- v. Disposal of alerts within 30 days from the date of alerts generated at BNK end and alerts provided by CDSL.
- vi. Reporting to CDSL and other authorities as applicable, in case of any abnormal activity
- vii. Documentation of reasons for delay, if any, in disposition of alerts.
- viii. Framework of appropriate actions that can be taken by the Participant as per obligations under Prevention of Money Laundering Act (PMLA)
- ix. Record maintenance for the period as stipulated under applicable statutes
- x. The surveillance policy of the BNK shall be reviewed once in a year

Surveillance Obligations

The following activities are required to be carried out by BNK Team based on UCC parameters:

Client(s) Information

BNK Team is required to carry out the Due Diligence of its client(s) on a continuous basis. Further, it shall ensure that key KYC parameters are updated on a periodic basis as prescribed by SEBI and latest information of the client is updated in UCC database of the Exchange.

Trade Information

Real Time Alerts

These alerts are based on the trade related information during the trading hours. These includes alerts related to intra-day price movement, abnormal trade quantity or value related alerts. The dealers raise these alerts to the Compliance officer. The alerts may also be raised from the exchanges.

Non real Time Alerts

These alerts are based on the trade related information at the end of the day and the available historical information. These may be provided by the Dealers or the Exchanges. They may be of the following nature.

The following are some of the alerts, but not limited to, which may be generated.

Sr. No.	Transactional Alerts	Segment
1	Significantly increase in client activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Clients/Group of Client(s), deal in common scrips	Cash
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips	Cash
5	Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash
6	Client / Group of Client(s) Concentration in a scrip	Cash
7	Circular Trading	Cash
8	Pump and Dump	Cash
9	Wash Sales of Trades	Cash & Derivatives
10	Reversal of Trades	Cash & Derivatives
11	Front Running	Cash
12	Concentrated position in the Open Interest/High Turnover concentration	Derivatives
13	Order book spoofing i.e. large orders away from market	Cash

The above alerts would be viewed by the Compliance Officer/ Back office staff and forwarded to the Compliance Officer. He would then analyze the information and if need be shall report to the Designated Directors, and Exchange/SEBI (if required)

B. Obligation of generate additional surveillance alerts

DPs are required to generate appropriate surveillance alerts at their end, to enable them to effectively monitor the transactions of their clients at their end as per the laid down surveillance policy. The indicative themes on which DPs may formulate their own alerts are as under. The DPs also needs to analyse patterns and trends with respect to different themes. DPs shall put in place system to generate these alerts with effect from October 1, 2021 and obtain the approval of its Board in its next meeting.

<i>Sr.No.</i>	<i>Indicative themes:</i>
1	Alert for multiple demat accounts opened with same demographic details: Alert for accounts opened with same PAN /mobile number / email id/ bank account no. / address considering the existing demat accounts held with the DP.
2	Alert for communication (emails/letter) sent on registered Email id/address of clients are getting bounced.
3	Frequent changes in details of demat account such as, address, email id, mobile number, Authorized Signatory, POA holder etc.
4	Frequent Off-Market transfers by a client in a specified period
5	Off-market transfers not commensurate with the income/Networth of the client.
6	Pledge transactions not commensurate with the income/Networth of the client.
7	Off-market transfers (High Value) immediately after modification of details in demat account
8	Review of reasons of off-market transfers provided by client for off-market transfers vis- à-vis profile of the client e.g. transfers with reason code Gifts with consideration, frequent transfers with reason code Gifts/Donation to unrelated parties, frequent transfers with reason code off-market sales
9	Alert for newly opened accounts wherein sudden Increase in transactions activities in short span of time and suddenly holding in demat account becomes zero or account becomes dormant after some time.
10	Any other alerts and mechanism in order to prevent and detect any type of market manipulation activity carried out by their clients.

It should noted that the above-mentioned alerts will be generated based on some threshold/parameters which are illustrative and not exhaustive. BNK shall analyze and review these alerts based on facts and verification of relevant documents including income/networth as provided by BO. Further, BNK is required to exercise their independent judgment and take appropriate action in order to detect any abnormal or suspicious transactions.

Analysis:

In order to analyze the trading activity of the Client(s) / Group of Client(s) or scripts identified based on above alerts, BNK shall:

- a) Seek explanation from such identified Client(s) / Group of Client(s) for entering into such transactions.
- b) Seek documentary evidence such as bank statement / demat transaction statement or any other documents to satisfy itself.
- c) After analyzing the documentary evidences, including the bank / demat statement, the BNK shall record its observations for such identified transactions or Client(s) / Group of Client(s).

PRECAUTIONS WHILE TRADING FOR CLIENTS

Proper care should be taken under the following circumstances:

- ☐ Orders placed away from the market price
- ☐ Significant concentration of the client to the market quantity
- ☐ Trading concentrated only in one script or a group of scripts.
- ☐ Repeated pattern of losses.
- ☐ Client trading indulging in synchronized transactions.
- ☐ Regular trading in securities classified as illiquid by the Exchanges.
- ☐ Possible order book manipulation.

B. Penalty in case of late / non-submission of Quarterly Reporting of status:

In case of late / non-submission of quarterly report of the alerts generated by BNK, as mentioned at

Point B above, CDSL may levy penalty.

C. Disciplinary action for non-fulfilment of Surveillance obligation by DP:

- a. *DPs are advised to note that during CDSL inspection, if it is observed that the DP has not fulfilled their surveillance obligations, then appropriate disciplinary action shall be initiated against the DP.*
- b. *Any non-compliance with respect to surveillance obligations which may inter alia include delay in processing of alerts generated by DP / provided by CDSL and repeated instances of delay in reporting of the status of alerts, may result in further disciplinary action as deemed fit in terms of DP Operating instructions and Bye-laws of Depositories.*
- C.** *It may further be noted that aforesaid measure does not preclude SEBI / Depository to take any further action(s), if the facts and circumstances so demand.*

Accounting Error Rectification Policy

1. All efforts should be taken to ensure correct accounting entries. However to err is human. In case any accounting error is made/located it should be immediately brought to the knowledge of the Head of Accounts. Head of accounts shall immediately discuss the same with concerned persons and Internal Auditors. Thereafter the modification / correction is authorized by him. Accounting error may also be located during course of Audit which are also discussed and correction / modifications are carried out. The backoffice software maintains all such logs.

Policy on Prefunded Instruments

1. If the aggregate value of pre-funded instruments is Rs. 50,000/- or more from client per day per client, the company will 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.

And the mode of certification will include the following either:

- a. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
 - b. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
 - c. Certified copy of the passbook/bank statement for the account debited to issue the instrument.
 - d. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.
 - e. In this connection BNK shall be guided by the applicable rules / circulars issued from time to time by SEBI / Exchanges/ Clearing Corporation.
2. The company will also maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their respective clients only.

Guidelines on Outsourcing of Activities

MEANING

Outsourcing may be defined as the use of one or more than one third party – either within or outside the group - by a registered intermediary to perform the activities associated with services which the intermediary offers. It has been observed that often the intermediaries resort to outsourcing with a view to reduce costs, and at times, for strategic reasons.

Principles for outsourcing for intermediaries

1. Assessment of activities to be outsourced
2. Comprehensive outsourcing risk management programme
3. Due - diligence
4. Outlining Outsourcing relationship
5. Confidentiality of the information outsourced
6. Concentration of outsourced services in the hands of a select few third parties

Risks involved in outsourcing of activities

- Operational risk
- Reputational risk
- Legal risk

Applicability & Conclusion

The board has at the moment have decided not to outsource any core functional/ operational activities of the company. Hence guidelines as discussed by the board are not applicable at the moment.

REDRESSAL OF INVESTOR GRIEVANCES

The company has a investor Grievance system at its offices. In case of any investor Grievance the following procedure is followed

1. Investor complained is entered in the register maintained for such purpose.
2. The Compliance officer / designated person checks the register on a regular basis. In case of a complain, either directly by investor or through organization like exchanges, DP, SEBI etc the same is produced before the Director. Necessary action to be taken on the complain is entered which is again checked by Compliance officer / designated person. The Director also checks Action Taken Report.

Closure of Complain

1. The complain is closed at the satisfaction of the complainant
2. In case the complainant is not satisfied the matter may be referred to appropriate redressal system such as arbitration Etc.
3. In case there is no response to the action taken / reply given the matter would be taken as resolved and the complain will be closed after may reasonable period of time.