

Vedika Securities Private Limited

Vishakha, 2B Shambhunath Pandit Street, Kolkata – 700 020

Tel: (91 33) 22231245 Fax: (91 33) 22231712

Policy Framework and Procedure Manual

Of

**Vedika Securities Private Limited
(Intermediary of NSE, BSE, NSDL, CDSL)**

For

Internal Control and Risk Management

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OBJECTIVE

The objective of the policy is to control over the activities, the efficiency of the operations and efficient use of the resources of the company, and enable the company to assess all significant operational, financial and compliance risks appropriately.

More specifically, the system aims to ensure:

- a) Compliance with laws and regulations;**
- b) Implementation of the instructions and directions given by management;**
- c) Proper functioning of the company's internal processes**
- d) Reliability of financial information.**
- e) Retention of Records and Documents.**

POLICY

The policy is formulated in accordance to the Rules, Bye laws, circulars and guidelines issued by SEBI, Exchange and the internal Management Policy.

Our present structure of DEPARTMENT WISE job allocation is given below: -

- 1) Client Registration- to look after client registration (KYC), KRA, allocation of clients to dealers/branch/AP.
- 2) Surveillance and Risk Management Department- Setting and monitoring trading limit and trading activity, to keep an eye on various alerts generated from back office and exchange.
- 3) Trade Management- Daily trade confirmation by trader/dealer or office bearer, to look after trade import and contract note (ECN and physical)
- 4) Delivery Department- to look after regular payin and payout to exchange and clients of securities and quarterly settlement incl. margin etc of all segments.
- 5) Account Department-to look out regular payin/payout of funds to exchange and clients, maintaining of books of accounts and statutory obligations.
- 6) Handling of documents: to look after timely dispatches of all the required documents and filing of papers.
- 7) Technology and system -maintaining hardware and softwares, digitally signed documents, website, monitoring sms and emails etc.
- 8) Regulatory compliances: Monitoring of timely filing of documents to the exchange, Govt. dept., statutory bodies and internal audit.

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- 9) Department wise allocation of work has been done to achieve maximum efficiency and specialization of employee in each field for minimum error.

The hierarchy of every department has been made as detailed below to achieve full control in day –to-day working.

IMPLEMENTATION OF POLICY

Hierarchy-

- 1)Directors
- 2)Compliance Officer
- 3)Manager/Senior Executive
- 4)Department Head
- 5)Assistant Manager

- The assistant manager will work under the supervision of department head and report him about work done or pending work to department head daily.
- Department head will look after the correctness and timely completion of work and is required to report to senior executive on important issues daily and for other on biweekly basis.
- The Manager/Senior executive will report the matter to compliance officer or management or Director in charge as the case may be.
- The compliance office/ director in charge will hold meeting with all the directors under the chairmanship of managing director/ CEO periodically for updating and discussion of matter.

PROCEDURE OF CLIENT REGISTRATION AND MAINTENANCE OF CLIENT INFORMATION:

The management believes that the first step of controlling risk starts from the KYC Registration Department. Hence, a dedicated team of personnel is there to handle new client registration procedure under the guidance of senior executives and Directors.

1. No 'walk in' or 'flying' clients will be entertained. Only the clients referred or introduced by the existing clients, sub brokers, branch manager, respectable persons or persons well known to the management will be accepted.
2. The limits of the client are to be set before activating his account only after assessing his financial capability based on personal discussions with them/sub-brokers, review their about their background of past and present occupation, risk-bearing capability, previous and current source of income scenario/status, including checking/review of Income Tax Return/Balance Sheet of clients.

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3. A unique record number will be allotted to each client registration kit and the same are to be kept in serial order in arch files. A label mentioning the record number details of the KYC contained in the file is to be put on each arch file for reference. Periodically these records are to be sent to the record management company/our in house record room.
Retrieval of the Kit will be easily possible with the Unique Record Number allotted to each Kit.
4. Over writing in the client registration document is to be avoided except in case of extreme emergency, in which case the correction must be duly initialed.
5. On receiving the KYC documents from intermediary the person in charge in KYC department at head office must verify the documents from various parameters and if he finds any shortcoming, then after informing the matter to senior executive takes appropriate action as decided.
6. Each Client must be personally verified. A concerned Authorized Official must visit the client's residence/ office for the In- Person Verification if the client has not visited the company's office for the same.
7. After In- Person verification is carried out, the client details are uploaded to the KRA and CKYC. If the client is already registered with the KRA & CKYC, his details are downloaded and matched with those provided to us. In case of discrepancies, clarification is sought from the client and appropriate steps are taken.
8. Once the client KRA & CKYC is completed, he is registered with us. Client Registration Documents must be delivered to clients along with a welcome letter after the completion of registration process and the acknowledgement receipt for the same is to be taken.
9. A letter is to be sent to all the clients at each year end along with the statement of accounts, containing all their details/information recorded with us, and they are requested to confirm the same or report any discrepancies or addition/deletions and provide necessary proof thereof. Financial details of F&O clients are to be collected annually. As regards other clients financial details are to be collected from the specific clients based on the risk management system.
10. Client particulars are to be updated only after obtaining sufficient proof of the same. The proof so provided must be verified by the authorized person and subsequently the same is to be updated into the database by a person who is authorized only to maintain primary database and does not have access to routine transaction management of clients.

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PROCEDURE OF CLOSURE OF CLIENT ACCOUNTS:

1. Clients must be asked to give a written request for closure of their account. On receiving such request the client must be contacted and feedback/reasons must be taken for the closure. The matter must be put before the management to ascertain the reason for such closure by the client, and thereafter their account must be closed and the same should be conveyed to the client. Closure is completed only on final settlement of funds and securities.

PROCEDURE FOR TREATMENT OF DORMANT ACCOUNTS:

1. In case an account of any client remains dormant for more than 12 months the trade limits are to be reset to zero or to a minimum level in the risk management system in the CTCL.
2. In Back office software also such client should be suspended.
3. If a request to trade in a dormant account is received then such client must be contacted immediately to verify his authenticity by the compliance officer. The activation must be permitted only after the concerned officer is duly satisfied regarding the causes/explanations provided by such client as reasons for dormancy.
4. The clients request to reactivate the account must be recorded.
5. The client's funds/ stocks available with us must be checked and his past transactions should be reviewed to reset his limits.

RECEIPT OF ORDER AND CONFIRMATION OF TRADE

1. Any instruction /order from a person other than the client or their authorized representative will not be entertained.
2. The UCC of each client should be reconfirmed at the time of taking order. Only the dealer must execute the order and recognize the voice of the respective client.
3. Trades must be informed to the clients immediately on their execution by the respective dealer.
4. After the close of the market all trades must be reconfirmed from the back office generated trade register.

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PROCEDURE REGARDING DESPATCH OF CONTRACT NOTES AND PERIODICAL STATEMENTS

1. Contract notes are to be sent to clients by hand delivery. However, if the client wishes to collect the contract note himself then the same need not be send. If necessary, the contract notes may be couriered as a last resort.
2. The process of dispatch must start at the earliest on the trade day once the necessary files are received by NSE & BSE and completed within one working day.
3. Duplicate copy of contract notes duly acknowledged by the clients must be received and be bounded in book format, day wise and preserved.
4. An MIS report of the acknowledgement copies is to be maintained by dedicated personnel.
5. Electronic contract notes are also sent to the clients from whom consent for digital communication is obtained. Logs for the same are maintained in the back office.
6. In case of undelivered/bounced mails, the client is contacted to inform him/her about the same and a hard copy of the contract note is sent across within one working day.

MARGINS AND LIMIT EXPOSURE

1. Collection of pay in, margin, limits setting for exposures & turnover for clients, terminals, branches & sub-broker level are to be set as per MIS prepared everyday in the evening containing cash margin available, stocks available, ledger balances, open position and margin utilized. A dedicated personnel is to be employed to ensure timely collection and limit sets, under the supervision of directors
2. Statement of debit/credit balances and statement of un-transferred stocks must be sent to each branch and sub-broker for further interaction with the client twice a day.
3. In case of volatile market and scrip the exposure limit will be continuously reviewed by a senior executive/Directors and quick and appropriate decision will have to be taken to control the risk by reducing the exposure limit after adjusting MTM loss/outstanding Debit position from deposit with us or such other decision as is appropriate.

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MONITORING DEBIT BALANCES

1. Debits in client accounts must be closely monitored on day to day basis.
2. Long pending debits should be taken care of and timely settlement of funds should be encouraged to avoid long outstanding debits.
3. In case of running debits greater than 5 days from date of settlement, client is blocked from creating fresh positions.
4. Verbal and written requests must be made continuously to the clients to recover the said amount. As a last resort legal action should be taken.

MECHANISM OF PAY-IN AND PAY-OUT OF FUNDS AND SECURITIES

1. Pay-in and Payout of funds and securities should be monitored twice daily, once by the concerned department and thereafter by a senior executive.
2. Payment of funds to the clients is to be made within stipulated time after considering their pay-in in subsequent settlements, except where explicit instruction to retain the funds is given by the client. Best efforts are to be made to collect funds from clients as per schedule.
3. Efforts must be made to release payments at least four times in a year in respect of clients who do not wish to withdraw their credit balances.

POLICY OF LIQUIDATION OF CLIENT POSITION

1. Square off of positions without the consent of the client must be avoided; rather clients should be insisted to take self decision in this regard.
2. The client must be sent repeated reminders through phone to clear off his debit position at the earliest.
3. Clients must be given the best possible opportunities to arrange for their margin as per their risk profile.
4. Client's position must be squared off only when his debit balance exists even after repeated reminders to clear the same. Even under such circumstances client must be informed of the decision before hand
5. The trade must be confirmed to the client immediately on execution and the respective contract note must be sent.

RISK MANAGEMENT POLICY

Risk management and curtailment is an essential part of the business environment. In order to minimize risk, steps are taken right from the time of accepting clients. Walk-in clients are not encouraged. All new accounts should be introduced either by some

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existing clients/sub-brokers/authorized persons/etc. In case of non-individual accounts, ultimate beneficial owner needs to be identified before accepting and processing the account.

Everyday client debit, their stock, open position and margin are reviewed and wherever the client is found to be in net debit balance, the client is not allowed to take fresh purchases. In such cases senior officials review the client and only after they are satisfied.

1. The clients are to be classified in the following categories:
 - A. Very low risk
 - B. Low risk
 - C. Medium Risk
 - D. High Risk
 - E. Very high risk
2. Periodical review of the clients must be done and their rating should be revised to achieve the object of proper risk management.
3. All transactions of clients in categories D&E must be specially monitored.
4. Extra caution is also to be taken while monitoring the transactions of NRI/NRE clients.

POLICY OF INTERNAL SHORTAGE

In case of internal shortage, we purchase the shares from the normal market by T+2 subject to the consent of the buyer. The buyer is given delivery of the shares purchased by the seller before the auction settlement of respective trades. However, where the buyer insists on delivery, square off debit/credit is given to the concerned. This practice is being adopted for long and we have not faced any dispute as such till now. Hence we are able to sort out the internal shortages amicably between our clients.

INVESTOR REDRESSAL MECHANISM

1. A Register of complaints must be maintained centrally in the main office.
2. A separate email Id must be maintained for the purpose of redressal of investors complaints and the clients must be informed of the same via the client registration kit, contract notes, display on company sign boards, letterheads, visiting cards and any other possible medium.

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3. The clients must be requested to make complaints either through emails or in print form for effective redressal of the same.
4. A log of all such complaints is to be maintained in the register of complaints.
5. The compliance officer is responsible for monitoring the investor complaints and resolving the same.
6. The directors will review the register of complaints periodically and ensure that there are no long pending complains.
7. If the number of complains increases beyond a reasonable number, then an analysis is to be made by the compliance officer to ascertain the underlying problem so that an effective solution can be achieved for the same.

COLLECTION OF FUNDS FROM CLIENTS:

1. No cash dealings are allowed to be done with the clients.
2. The collections towards Purchases will have to be made good by the Client from the Registered Bank Account by means of Crossed Cheque. No third party cheques will be received / credited to the Client. If any remittance is received per Pay Order / Demand Draft – it has to be brought to the Notice of the Compliance Officer & only after it's sanction by him/her – the same can be deposited / credited. Herein, if the amount of PO/DD is Rs.50000 or above, the same has to be supported by the name of Bank Account Holder and Bank Account Number debited for the purpose, duly certified by the issuing Bank.
3. The Employees shall maintain an audit trail of the funds received through Electronic Fund Transfer to ensure that the funds are received from the respective client only.

ALLOTMENT /SURRENDER OF TRADING TERMINALS, OPENING & CLOSING OF BRANCHES

1. For opening of branches, management must take in account the Experience, track record, financial background, necessary infrastructure, reference from reliable sources and Integrity etc. of the person who will be in charge with necessary documents as per company norm.
2. On finding the documents satisfactory the branch should be than uploaded in ENIT, opened in Backoffice and Front office.
3. For closing of branch, management should check the reason behind the closure of such branch, the same after proper verification should be intimated to the exchange as per rules.

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4. Clients are to be communicated by senior executives about the closure of branch and they are mapped to another branch.

STAFF TRAINING AND RESPONSIBILITIES

1. All the Members of Team Vedika have to be Updated on the Capital Market & the Depository Norms. They have to be adequately certified – complying with the Regulators Requirements. Failure to do so, will lead to the Relieving of the person concerned (after giving Justified time frame).
2. All the members have to be fully aware about the Regulatory Requirements & Restriction, their obligation to All concerned viz – Client, Stock Exchange, Colleagues & Superiors, Management, Service Providers etc. They have to Behave in the Utmost Responsible manner.
3. The Office computers shall not be used for any type of Chattings / messenger services / Blog etc. Any mails received towards the price sensitive information, Rumors on any Company, Industry specific rumors / news etc. cannot be circulated. However, if any authenticated News material is there, the same can be mailed with the Approval of the Compliance Officer. Surprise checks on the Mail Boxes will be done by the Compliance Officer written periodically.
4. Any person found violating the same, will be meeting the Disciplinary Action – even to the extent of Expulsion from the Company.
5. Periodic sessions are held by the management/compliance officer with staff, to update them on the latest circulars. Discussions are encouraged to identify risks/problems in the methods being used and suggestions to improve standards of client service and compliance levels.

Record Maintenance & Reporting:

Intermediaries/Participants shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities.

Furthur, records and documents pertaining to DP Operations must be maintained and preserved for a minimum period of eight years from the date of transactions between the client and participant as per the requirements of The Securities and Exchange Board of India (Depositories And Participants) Regulations, 2018 dated 3rd October, 2018.

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There is a proper mechanism for maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities.

Furthur, as per the requirements of any other Law the documents are preserved as per the timeline stated under respective Laws.

CONCLUSION

We at Vedika Securities Private Limited has adopted to work in changing environment by continuously evaluating our working system as per the load factor. We expect each and every employee of the company to follow the above mentioned guideline for utmost satisfaction of client.

The management understands that this policy will help to control all the areas related to day-to-day activity with utmost efficiency, for satisfaction for clients.

APPROVAL AUTHORITY AND REVIEW POLICY:

This policy is approved by the Board of Vedika Securities Private Limited. The policy may be reviewed by the Compliance Officer/ Director and place the changes in policy before the Board.

POLICY COMMUNICATION:

A copy of this policy shall be made available to all the relevant staff/persons such as: compliance officer / department in-charge /authorized persons.