

### **POLICY FOR PRE-FUNDED INSTRUMENTS**

SEBI vide circular no. SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003 has specified that the stock brokers can accept demand drafts from their clients. However, in accordance with SEBI circular no. CIR/MIRSD/03/2011 dated June 9, 2011, the following needs to be complied:

1. A “Pre-paid instrument received register” with columns for date, name of the client, amount, instrument drawn on (bank name) and such other columns as found necessary shall be maintained. The register may be maintained either in a physical form or in electronic form.
2. Pre-paid instruments of the value of less than Rs 50,000 may be accepted from the client. Whenever such instruments are received, entry into ‘Pre-paid instruments Received register’ shall be made.
3. If the pre-paid instrument is for value more than Rs 50,000 or If the aggregate value of pre- funded instruments is Rs. 50,000/- or more, per day per client is presented for acceptance, such instrument or instruments may be accepted, only if the same is/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 or its letter head 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.
4. If a client submits pre-paid instruments at different times during the day, details and certificates as stated above may be collected along with the instrument with which the aggregate value of pre-paid instruments submitted exceeds Rs 50,000 for that date.
5. In case of any receipt of funds by way of Electronic fund transfer, an audit trail to ensure that funds are received from respective client only has to be maintained. Necessary details may be collected from banker at which the amount is received .
6. If the pre-paid instrument is received through post or any other method where client does not directly interface for submission of the instrument and the instrument does not contain the information as required above, the following action may be taken:
  - a) C o n t a c t the client immediately and seek information. Not to bank the instrument until the information is given by the client.
  - b) If the pre-paid instrument is bank transfer, contact banker immediately for the details; not utilize the amount so credited until the details are received and not to give credit to the customer until banker gives the details/certification.
7. While giving credit to respective client’s ledger, Head office needs to cross check / verify with documents that such instrument is received from respective clients.