

# Internal Policies & Guidance Note: Signature Global Comtrade

This document has all the Internal Policies, procedures and guidelines that are being adopted by Signatureglobal Comtrade for its operations and system. The Policies are being prepared keeping best practices and is subject to review every Yearly.

Operational  
Manual –  
Policies and  
Procedures,  
PMLA Policy

This set of policies/guidance is presented to the Board & is approved on 06<sup>th</sup> June 2022

Version 1.1

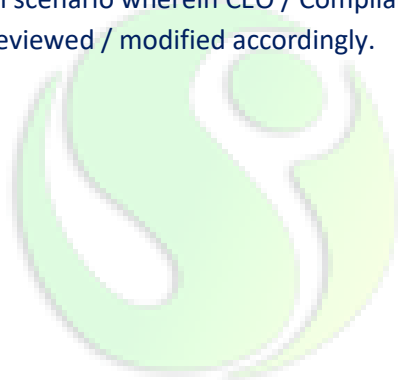
## **PREFACE**

The purpose of this manual is to provide all employees of Signature Global Comtrade Private Limited (SGCPL) with a reference to manual containing policies and procedures established by the company. In the interest of brevity, an attempt has been made to include only that information which will be used under normal operating circumstances. For exceptional situations, it is recommended that the appropriate authority is contacted.

The content in this manual ranges from compliances and policies related to Operations to Information Technology to Risk Management System to Transaction necessitated by Statutory bodies such as Securities and Exchange Board of India, National Stock Exchange, Bombay Stock Exchange, Multi Commodity Exchange, Central Depository Services (India) Limited etc. Consequently, for some policies and procedures, it is difficult, if not impossible, to implement modifications or obtain approval for exceptions.

## **Approval**

The same is presented to Board and is approved. This document is subject to be reviewed yearly. In scenario wherein CEO / Compliance Officer Feels there is a need for a review, the same may be reviewed / modified accordingly.



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**Internal Reviews**

The Board along with the KMP shall try to review Policies and procedure yearly.

The purpose of the review is to discuss and to find out the way the risk associated its elimination and to implement the highest standard of Compliances & adherence of the Bye Laws, Rules and Regulation set up the exchange.



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**Sending Contract Notes, Margin Statement, Statement of Accounts to Clients.**

Contract Notes, Margin Statement, Statement of Accounts to Clients are sent through email within stipulated time as prescribed by exchanges/SEBI. Proper log of send reports of these documents is maintained. In case of bouncing of email, we send a physically copy of contract note to the client through courier within stipulated time.

The billing is done on the trade date and informed to the client as per the rules and regulations of the exchange(s)



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### **SORM – NISM Series VII certification**

Basis the Circular issued by exchange, reference NSE/INSP/16536 dated December 15, 2010, NSE/INSP/27495 dated September 02, 2014, being a member Signatureglobal Comtrade will ensure that all related person who falls under the guidelines given by the exchange through the circular must have the required certification i.e. NISM Series VII.

### **Exemption**

Persons who are handling the basic clerical / elementary functions the aforesaid specified areas shall be exempted from obtaining the certification. The positions that are exempted are

1. Inward of Complaint
2. Person who is preparing MIS
3. Person who is dispatching the documents
4. Person who is dispatching the documents to the exchange / SEBI or to any other regulator.
5. Person who is attending calls.
6. Person doing photocopies, printout, scanning.



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**Refusal of orders for penny / illiquid stock**

Refusal of orders for penny /illiquid stock Penny stocks/illiquid Commodities/Commodity Contracts are defined as the stocks/commodities appearing in the list of illiquid Securities / Commodities issued by the exchange(s) every month. The Member Broker may from time to time limit (quantity/value)/refuse orders in one or more Securities / Commodities due to various reasons including market liquidity, value of security(ies) / Commodity(ies) limit ,if any, defined by the exchange either client wise or member wise, the order being for Securities / Commodities which are not in the permitted list of the Member Broker/exchange(s)/SEBI, provided further that Member Broker may require compulsory settlement/advance payment of expected settlement value/delivery of Securities / Commodities for settlement prior to acceptance/placement of orders as well. The client agrees that the losses, if any, on account of such refusal shall be borne exclusively by the client alone. The Member Broker may require reconfirmation of orders, which are larger than that specified by the Member Broker's risk management, and the Client is also aware that the Member Broker has the discretion to reject the execution of such orders based on its risk perception



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**Setting up clients exposure limits and conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client**

The Member Broker may from time to time impose and vary limits on the orders ( including but not limited to exposure limits, turnover limits, limits as to the number, value and/or kind of Securities / Commodities/ Commodity Contracts in respect of which orders can be placed etc.), which the Client can place through the Member Broker. The Client is aware and agrees that the Member Broker may need to vary or reduce the limits or impose new limits urgently on the basis of Member Broker's risk perception and or other relevant factors including but not limited to limits on account of exchange/SEBI directions/limits (such as broker level/market level limits in security specific/volume specific exposures etc.) and the Member Broker may be unable to inform the Client of such variations, reductions or impositions in advance. The Client understands & further agrees that the Member Broker may at any time, at its sole discretion and without prior notice, prohibit or restrict the clients ability to place orders or trade in Securities / Commodities/ Commodity Contracts through the Member Broker, or it may subject any order placed by the client to a review before its entry into the trading systems and may refuse to execute/allow execution of orders due to but not limited to the reason of lack of margin/Security or the order being outside the limits set by Member Broker/exchange /SEBI and any other reasons which the Member Broker may deem appropriate in the circumstances. The client agrees that the losses, if any on account of such refusal or due to delay caused by such review, shall be borne exclusively by the client alone and further agrees that Member Broker shall not be liable for or responsible for such variations, reductions or impositions or the Client's inability to route any order through Member Broker on account of any reason but not limited to any such variations, reductions or impositions of limits.

The Member broker shall have the prerogative to allow differential purchase/sell limits and or exposures varying from client to client, depending upon credit worthiness, integrity and past conduct of each client. The member broker may close the existing position of the client without any prior notice wherein the outstanding position of the client is increased in the scrip wherein the scrip is in ban period, due to increase in open interest exceeding stipulated market wide limit of that scrip or for any other reason, in Future & Option/Currency Derivatives Segment. The exchange(s) may cancel the trade suo-moto without giving any reason thereof. The Member Broker shall be entitled to cancel such relative contract with the Client. The Member Broker shall not be liable for any losses, damage or claims on account of such rejection or cancellation of any trade for any reason whatsoever. The Member Broker is required only to communicate /devise the parameters for the calculation of the margin /security requirements as rate(s) /percentage(s) of the dealings, through any one or more means or methods such as post/speed post/courier/registered post/registered A.D./facsimile /telegram/cable/ email/voice mails/ telephone (telephone includes such devices as mobile phone etc.) including SMS on the mobile phone or any other similar device; by messaging on the computer screen of the clients computer; by informing the client through employees /agents of the Member Broker; by publishing/displaying it on the website of the Member Broker /making it available as a download from the website of the Member Broker; by displaying it on the notice board of the branch/office through which the client trades or if the circumstances, so require, by radio broadcast/television broadcast/ newspaper advertisement etc; or any other suitable or applicable mode or manner.

The client agrees that the postal department /the courier company /newspaper company and the email /voice mail service provider and such other service providers shall be the agent of the client and the delivery shall be complete when communication is given to the postal department/the courier company /the email /voice mail service provider, etc. by the Member Broker and the client agrees never to challenge the same on any grounds including delayed receipt/non receipt or any other reasons whatsoever and once parameters for margin/security requirements are so communicated, the client shall monitor his/her its position(dealings/trades and valuation of security) on his/her /its own and provide the required /deficit margin/security forthwith as required from time to time whether or not any margin call or such other separate communication to the effect is sent by the Member Broker to client and /or whether or not such communication to that effect is sent by the Member Broker to the client and/or whether or not such communication is received by the client. The Client is not entitled to trade

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without adequate margin, however, the Client is responsible for all orders, including any orders that may be executed without the required Margin in the Client's account. The Client shall also be responsible for any claims/loss/damage arising out of the non-availability /shortage of margin/security required by the Member Broker Signature of Client and or exchange(s) and or SEBI or any other regulatory authority.

Further, it shall be his/her/its responsibility to ascertain beforehand the margin/security requirements of his/her/its orders/trades/deals and to ensure that the required margin is made available to the Member Broker in such form and manner as may be required by the Member Broker. If the Client's order is executed despite a shortfall in the available Margin, the Client shall, whether or not the Member Broker intimates such shortfall in margin to the Client, instantaneously make up the shortfall either through delivery of Securities / Commodities in the event of a sale or credit the required funds in the bank account via EFT (Electronic Fund transfer) including Electronic Payment Gateway or personal cheque or Banker's cheque or draft. The client agrees to have disclaimed and waived off any right to disown the transactions /orders executed by the Member Broker under the plea that same were executed without adequate margin.

The Member Broker may at its sole discretion prescribe the payment of margin in the form of funds and/or Securities / Commodities and or any other asset acceptable to Member Broker. The Client accepts to comply with the Member Broker's requirement of payment of Margin in the form of funds and or Securities / Commodities and or any other asset acceptable to Member Broker immediately failing which the Member Broker may sell, dispose, transfer or deal in any other manner the Securities / Commodities and or any other asset already placed with the Member Broker on any account or square off all or some of the positions of the Client as it deems fit in its discretion without further reference to the Client and any resultant or associated losses that may occur due to such square off / sale shall be borne by the Client, and the Member Broker is hereby fully indemnified and held harmless by the Client in this behalf. The margin/security/funds deposited/due by/to the client with the Member Broker shall not be eligible for any interest.

The client agrees that all Securities / Commodities and or monies and or assets belonging to the client which are deposited and or submitted and or under the control or possession of the Member Broker shall be subject to a general lien and /or set off, for discharge of any obligation or indebtedness, in any exchange/segment, in which client is / will be dealing. The Client authorize the Member Broker to inter-se transfer or hold funds, Securities / Commodities, debits, credits etc. amongst the exchanges/segments for which the Client has been dealing and or shall be dealing with the Member Broker. In enforcing the right of lien and /or set off, the Member Broker shall have the sole discretion of determining the manner and time in which the Securities / Commodities and or monies and or assets are to be appropriated/ liquidated.

The Member Broker is entitled to include/appropriate any/all payout of funds and or Securities / Commodities towards margin/security without requiring specific authorizations for each pay out. The Member Broker is entitled to disable/freeze the account and or trading facility or any other services/facilities, if, in the opinion of the Member Broker, the Client has committed a crime/fraud or has acted in contradiction of the agreement/contract or is likely to evade/violate any laws, rules, regulations, directions of a lawful authority whether Indian or Foreign or if the Member Broker so apprehends



**Applicable Brokerage Rate**

Brokerage shall be applied as per the rates agreed upon with the client. The rate of brokerage shall not exceed the maximum brokerage permissible under exchange rules, regulations byelaws, notices and circulars issued by exchange from time to time.



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### **Imposition of Penalty / Delayed Payment charges**

Any amounts which are overdue from the Client on account of any reason, including margin obligations, to the Member Broker without prejudice to the other rights of the Member Brokers the client will be charged with delayed payment charges at the rate of 1.5% per month or any other rates as may be mutually agreed between the client and the Member Broker. The Client hereby authorizes the Member Broker to directly debit the same to the account of the Client on daily product basis.

The Client undertakes to indemnify the Member Broker for any penalty/ charges/fines which might be levied by any regulatory authority i.e. SEBI/Exchange for non-adherence by the Client with any rules /regulations/ circulars/instructions etc. issued by such regulatory authority. The Client agrees that Member Broker reserves the right to recover from the client any penalty/charges/fines imposed by the exchanges/depositories/SEBI/other authority on the Member Broker for any orders/ trades/deals/actions of the Client which are contrary to rules/ regulations/bye laws of the exchange/law for the time being in force.

The Client shall, at all time, be liable to pay Member Broker all relevant charges, fees, levies, duties apart from brokerage, exchange related charges, commissions, statutory charges such as GST and other taxes and transaction expenses as may be agreed between the Client and the Member Broker from time to time and or imposed by any regulatory authority including but not limited to the stock exchanges ( including any amount on account of reassessment or backlogs etc.) and or notified by Member Broker on the website(s) and or sent by electronic communication(s) and or sent by any other mode from time to time and in the event of default of payment of any of the above mentioned charges, without prejudice to the other rights of the MEMBER BROKER.

The client understands that Member Broker is committed to provide the high quality services to clients. Since Member Broker incurs expenditure to provide requisite customized services e.g. Home service to collect delivery instruction slips(DIS), home delivery of payment of cheques, reminder of delivery shortages, updating of balances of clients on their mobile, back office access on internet to clients, transfer of payment to clients account, organizing seminars, arranging meetings with analysts and other allied services etc. The client agrees and authorizes Member Broker to recover such cost from clients by levying other charges as maybe agreed between the Client and the Member Broker from time to time and or notified by Member Broker on the website(s) and or sent by electronic communication and or sent by any other mode from time to time and in the event of default of payment of any of the above-mentioned charges, without prejudice to the other rights of the Member Broker.

Management, on its discretion, also reserves the right to waive / reverse the delayed payment charges to any of the client.

**The right to sell client securities or close client positions, without giving notice to the client, on account of non-payment of client's dues.**

The client shall ensure timely availability of funds/Securities / Commodities in designated form & manner at designated time & in designated bank(s) & depository account(s) at designated place, for meeting his/her/its pay in obligation of funds and Securities / Commodities. The Member Broker shall not be responsible for any claim/loss/damage arising out of non 02 availability/short availability of funds/Securities / Commodities by the client in the designated account(s) of the Member Broker for meeting the pay in obligation of either funds or Securities / Commodities. If the client gives orders/trade in anticipation of the required Securities / Commodities/funds being available subsequently for pay in through anticipated pay out from the exchange or through borrowings or any off market delivery(s) or market delivery(s) and if such anticipated availability does not materialize in actual availability of Securities / Commodities/funds for pay in for any reason whatsoever including but not limited to any delays/shortage at the exchange or Member Broker level/non release of margin by the Member Broker etc., the losses which may occur to the client as a consequence of such shortage in any manner such as on account of auctions/square off/close outs etc., shall be solely to the account of the client and the client agrees not to hold the Member Broker responsible for the same in any form or manner whatsoever.

In case the payment is made by the Client through a bank instrument, the Member Broker shall be at liberty to give the benefit/credit for the same only on the realization of the funds from the said bank instrument etc. at the absolute discretion of the Member Broker. When the margin is made available in form of Securities / Commodities or any other property by the Client, the Member Broker is empowered to decline its acceptance as margin. The Client agrees and authorizes the Member Broker to determine the market value of Securities / Commodities placed as Margin after applying a haircut that the Member Broker may deem appropriate or by marking it mark to market or by any other method as the Member Broker may deem appropriate. The Client's positions are valued at the latest market price available ('mark to market') on a continuous basis by the Member Broker. The Client undertakes to monitor the adequacy of the collateral and the Market value of such Securities / Commodities on a continuous basis. If due to any reason but not limited to price fluctuations, there is erosion/shortfall in the value of the margins, the Client agrees to replenish any shortfall in the value of the margins immediately, whether or not the Member Broker intimates such shortfall.

The Client hereby authorizes the Member Broker to square up/sell/liquidate all his/her/its outstanding positions/ Securities / Commodities and to cancel all pending orders at the discretion of the Member Broker, for any reason including the following (a) which are not marked for delivery 15 minutes before the closing time of the relevant segment (s) of the exchanges or any other time which the Member Broker may notify through electronic communication or otherwise from time to time; or (b) when mark to market (MTM) percentage reaches or crosses stipulated percentage mentioned on the website or any other percentage which the Member Broker may notify through electronic communication or otherwise. The Member Broker will have the sole discretion to decide above referred stipulated percentage/time depending upon the market condition. Any direct or indirect loss arising out of square off/cancellation shall be at the risk of and shall be borne by the Client.

In case any open position (i.e. short or long) gets converted into delivery due to non-square off because of any reason whatsoever, the client agrees to provide Securities / Commodities/funds to fulfill the pay-

in obligation failing which the client will have to face auctions or internal closeouts. In addition to this the Client will have to pay penalties and charges levied by exchange in actual and losses, if any. Without prejudice to the foregoing, the Client is liable for all and any penalties/charges/ fees/fines levied by the exchange(s).

Without prejudice to the Member Broker's other rights including the right to refer the matter to Arbitration, if payment / Securities / Commodities towards the Margin and or shortfall in Margin and or any other payment obligation of the Client towards the MEMBER BROKER is not received instantaneously to enable restoration of sufficient Margin/balances in the Client's account with the MEMBER BROKER, without any reference or prior

notice or communication to the Client, the Member Broker has the right but not the obligation to take one or more of the following steps:

(i) All or some of the positions/Securities / Commodities/shares of the Client as well as the Securities / Commodities placed as Margin or otherwise including but not limited to Securities / Commodities which are pending delivery/receipt with Member Broker may be liquidated/closed by the Member Broker at its sole discretion and at such rate and time as the Member Broker may deem fit.

(ii) To withhold any payout of funds/Securities / Commodities.

(iii) To withhold/disable the trading/dealing facility to the client.

(iv) To cancel all pending orders.

(v) To take any other steps which in the given circumstances, the Member Broker may deem fit.

The resultant or associated losses that may occur due to such squaring off/cancellations and or sale of Securities / Commodities/positions shall be borne by the Client and the Member Broker is hereby fully indemnified and held harmless by the Client in this regard. Such liquidation and or close out or cancellations of such Securities / Commodities/positions shall apply to any segment/ exchange in which the Client does business with the Member Broker. The Member Broker is entitled to prescribe the date and time by which margin/security is to be made available and the Member Broker may refuse to accept any payment in any form after such deadline for margin/security expires.

Any reference to sale or transfer of Securities / Commodities and or any other asset by the Member Broker shall be deemed to include sale or transfer of all the Securities / Commodities and or any other asset lying with MEMBER BROKER for any reason/account including which form the part of the Margin maintained by the Client with the Member Broker. In exercise of the Member Broker's right to sell or transfer Securities / Commodities and or any other asset , the Client agrees that the choice of specific Securities / Commodities and or any other asset to be sold or transferred shall be solely at the Member Broker's discretion. The Securities / Commodities purchased by the client in CM Segment and or F&O segment (under physical settlement) shall be settled as under:

i) The Securities / Commodities purchased by the client in CM Segment and or F&O segment (under physical settlement) for which the payment is made/credit balance is available, in full on or before pay in day shall be transferred to beneficiary demat a/c of the client from Pool a/c within 24 hours of pay out.

ii) The Securities / Commodities purchased by the client in CM Segment and or F&O segment (under physical settlement) for which the full credit balance is not available in the account of the client or the payment is not/partially made by the client, shall be transferred to Client Unpaid Securities / Commodities Account (CUSA) iii) The Securities / Commodities lying in the CUSA shall be transferred to the beneficiary demat account of the client only on the receipt/availability of full amount from the client iv) The Securities / Commodities lying in the CUSA shall be liquidated to the extent of debit balance within 5 trading days from the pay-out date of such Securities / Commodities without further notice to the client and the Securities / Commodities so liquidated shall be transferred to Pool Account for meeting payin obligation. No Securities / Commodities shall be kept in CUSA for more than 5 trading days from the pay-out date of such Securities / Commodities. v) The choice of selection of Securities / Commodities to be liquidated against debit balance from CUSA will be at the sole discretion of the Member Broker depending upon the liquidity of the scrip, volatility in the market or any other factor as the Member Broker deem fit in each case. vi) The Securities / Commodities of the client can be transferred in the beneficiary demat account of the client without/partial receipt of the payment at the sole discretion of the Member Broker in those cases where the said Beneficiary Demat Account is opened with Member Broker DP and the client has executed Power Of Attorney (POA) in favour of Member Broker.

#### **Shortages in obligation arising out of Internal Netting of Trades**

The Client agrees that, the Member Broker shall not be obliged to deliver any security or pay any money to the Client unless and until a) the same has been received by the Member Broker from the exchange/ the clearing corporation / clearing member or entity liable to deliver the security and/or make payment the; and b) after the Client has fulfilled his / her / its obligations first.

**Cash Segment:** The Client agrees that, in case the Client buys Securities in cash segment of the exchanges in one settlement, and sells the same in any subsequent settlement, without having received the payout of the Securities from the Exchange, any resulting auction by the Exchange and consequent losses will be the borne by the Client.

The Client agrees that in following cases;

- a) where he/she/it has made any purchase of Securities in Cash segment of the exchanges and the delivery of the same falls short at inter-client level (i.e. internal short) of the Member Broker;
- b) where he/she/it has made any sale of Securities and due to any exigencies he/she/it is/are unable to make available the delivery of the same in the designated account with in the designated time and it results in an inter client short delivery ( i e internal short) at Member Broker level;
- c) where Securities having corporate actions; all cases of short delivery of cum transactions which cannot be auctioned on cum basis or where the cum basis auction payout is after the book closure/record date;

The Member Broker is authorized to close out the transaction at rate which is higher of i) auction day closing rate+3% or ii) seller's rate or iii) buyer's rate or iv) at a price Member Broker deems fit for close out of said Securities.

**Derivatives Segment :** The Client further agrees that, in following cases: a) where he/she/it has bought futures/ call options &/or sold put options in equity/commodity derivative segment of the exchanges,

the delivery of which results in physical settlement of securities/commodities and delivery falls short with Member Broker level, either at inter-client level (i.e. internal short) of the Member Broker or at inter-client level (i.e. internal short) of the Clearing Member affiliated to the Member Broker;

b) where he/she/it has sold futures/ call options &/or bought put options Contract in equity/commodity derivative segment which results in physical settlement of securities/commodities and due to any exigencies he/she/it is/are unable to make available the delivery of the same in the designated account within the designated time and it results into inter client short delivery (i.e. internal short) at Member Broker/Clearing Member level;

c) where Securities having corporate actions; all cases of short delivery of cum transactions which cannot be auctioned on cum basis or where the cum basis auction payout is after the book closure/record date; Member Broker/Clearing Member, as the case be, is authorized to close out the transaction at rate which is higher of i) auction day closing rate+ upto 20% (or any other rate communicated by the Member Broker/Clearing Member/Exchanges from time to time) or ii) seller's rate or iii) buyer's rate or iv) at a price Member Broker deems fit or v) as communicated by the Clearing Member for close out of said Securities/Commodities.

The Client agrees that he/she/it will not dispute, any close out amount / penalty so debited to him/her/it, as above in any segment, by the Member Broker/Clearing Member, under any circumstances.



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### **Policy for Inactive Clients (Dormant Account)**

Client status is observed on monthly basis & clients who have not traded during the last Twelve (12) Months are marked "inactive" as "Dormant" in the back office & funds payable to the client and Securities / Commodities, if any, lying in the client margin account will be returned after deducting demat or any other charges due from the clients.

The files uploaded on the trading servers on daily basis update the current status on the terminals. Whenever a client who is marked inactive as dormant intends to trade, the details of the client viz. Address, Contact No., Demat & Bank account etc. will be confirmed & a written request for re-activation of the account will be taken before executing any trade in that particular client code. In person verification (IPV) will also be done at the time of reactivation of account. In case of any change, the updation form along with the supporting documents will be taken. In case of very old dormant a/c, the entire KYC Form will be required to be taken along with the other supporting documents

### **Temporarily suspending or closing a client account at the client request**

i. The client may request the Member Broker to temporarily suspend his/her/its account, Member Broker may do so subject to client accepting/adhering to conditions imposed by Member Broker including but not limited to settlement of account and/or other obligation.

ii. The Member Broker can withhold the payout of client and suspend his/her/its trading account due to his/her/its surveillance action or judicial or/and regulatory order/action requiring client suspension.

iii. Temporarily suspending or closing a client's account at the Member's discretion "The Member Broker may suspend the account of the Client in following circumstances:

a. Where the client is inactive for the past Twelve (12) Months with observation period being the month end. b. Based on recommendations made by the Branch Head due to any reason including but not limited to excessive speculations, uncleared balances etc.

c. Physical Contract notes are received back undelivered due to reasons like "no such person", "addressee left", refusal to accept mails, POD's signed by the third persons, signature mismatch on POD's or other reasons which may create suspicion, after close out of open positions, selling/liquidation of client collaterals/ Securities / Commodities/shares or square off due to any reason whatsoever.

d. Bounced emails on more than 3 instances until the client submits and registers new email id.

e. Non delivery of periodic statement of accounts sent on periodic basis

f. Non updation of communication details viz. email id, mobile number, land line phone number or if it is found to be belonging to some third person.

g. Client places a complaint either directly to the Member Broker or the exchange(s) relating to alleged unauthorised trades being executed in his/her/its account.

### **Deregistering a client**

Notwithstanding anything to the contrary stated in the agreement / contract, the Member Broker shall be entitled to terminate the agreement/contract with immediate effect in any of the following circumstances:

- i.** If the action of the client are prima facie illegal/improper or such as to manipulate the price of any Securities / Commodities or disturb the normal /proper functioning of the market, either alone or in conjunction with others.
- ii.** If there is any commencement of a legal process against the Client under any law in force.
- iii.** On the death /lunacy or other disability of the client.
- iv.** If a receiver, administrator or liquidator has been appointed or allowed to be appointed of all or any part of the undertaking of the Client.
- v.** If the Client has voluntarily or compulsorily become the subject of proceedings under any bankruptcy or insolvency law or being a company, goes into liquidation or has a receiver appointed in respect of its assets or refers itself to the Board for Industrial and Financial Reconstruction or under any other law providing protection as a relief undertaking;
- vi.** If the Client being a partnership firm, has any steps taken by the Client and/or its partners for dissolution of the partnership;
- vii.** If the Client has taken or suffered to be taken any action for its reorganization, liquidation or dissolution;
- viii.** If the Client has made any material misrepresentation of facts, including (without limitation) in relation to the security;
- ix.** If there is reasonable apprehension that the Client is unable to pay its debts or the Client has admitted its inability to pay its debts, as they become payable;
- x.** If the Client suffers any adverse material change in his/her/its financial position or defaults in any other agreement/contract with the Member Broker;
- xi.** If the Client is in breach of any term, condition or covenant of the agreement/contract;
- xii.** If any covenant or warranty of the Client is incorrect or untrue in any material respect;



**CLIENT ACCEPTANCE POLICY AND PROCEDURE FOR NEW CLIENT REGISTRATION AND MAINTENANCE OF CLIENT ACCOUNTS**

**Each client should be met in person:** Company would accept client / s from whom we are able to meet personally. Either, the client should visit the office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filed in and signed.

**Preferably accept clients who live within the jurisdiction of the branch.** As far as possible, ensure that the new client is introduced by an existing client or employee. In case of accounts opened in the name(s) of NRI or FNs. (If the Company cannot personally verify the NRI/FN client), the Company/KYC Team shall ensure the photocopies of all the KYC documents/proofs and PAN card are attested by Indian Embassy or Consulate General in the Country where the NRI or FN resides. The attesting authority affix a "verified with originals" stamp on the said documents. The photocopies of the KYC documents and PAN card should be signed by NRI/FN. If the NRI or FN comes in person to open the account, the above attestations are required may be waived.

**Accepts client on Whom Company is able to apply appropriate KYC procedures:** Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.

**Do not accept clients with identity matching persons known to have criminal background:** Check whether the client's identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide. To check the same, the data available in the public domain may be referred.

**General precautions:**

1. Special care shall be taken and proper prudence shall be exercised while opening accounts of Clients of Special Category which include NRIs, HNIs, Trusts, NGOs Companies having close family share holdings.
2. As a general policy the company shall not entertain as client, the Politically Exposed Persons (PEP) and persons having relation with Politically Exposed persons, politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. Company should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Staff member should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. Such accounts should be subjected to enhance monitoring on an ongoing basis. The above norms should also be applied to the accounts of the family members and close relatives of PEPs. The accounts of Politically Exposed Persons shall be opened only after obtaining the approval of Business Head. Further, in the event of an existing customer or the beneficial owner of an account subsequently becoming PEP, Business head approval would be required to continue the business relationship and such accounts would be subjected to

Customer Due Diligence measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis.

3. Before allowing trading, the prospective client shall get himself registered with the company for the Exchange and market segment in which he wants to trade.
4. For this purpose he shall fill up and submit the prescribed Client Registration Form / KYC form along with self attested copies of the required documents. The format of the KYC form shall be as prescribed by SEBI and the Stock Exchanges and shall contain all mandatory documents and forms. A few non mandatory documents may also be included.
5. As a policy the company shall send contract notes and all other reports to clients electronically via e-mails and access to online back office data through website, unless otherwise specifically requested by the client. The client shall be required to provide designated e-mail id on which all contract notes and other reports/ financial statements shall be sent.
6. A copy of the complete set of KYC form and documents executed by the client and the UCC allotted to him shall be provided to the client against acknowledgement
7. Identification of the client and strict compliance with KYC norms is of paramount importance while opening accounts of new clients. Apart from this updation of client database on regular basis and review of the information furnished by him is most essential.
8. Either the client should visit the office or staff member of the company may visit the client at his residence / office address to get the necessary documents filed in and signed
9. As far as possible, ensure that the new client is introduced by an existing client. Apart from documentary evidence, identity and genuineness of the client has to be established through references / introducer in compliance of PMLA requirements.
10. In person verification of the identity of the account holder is done by a staff member of the company. All the copies of the documents submitted by the clients are verified from the originals by the staff member doing In Person Verification.
11. Submission of PAN Card copy is mandatory and the name on the PAN card should be identical with the name of the prospective client in whose name the account is being opened. The particulars in the PAN card submitted by the client are verified from the web site of the Income Tax department.
12. Do not accept client registration forms which are suspected to be fictitious.
13. Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
14. Do not compromise on submission of mandatory information/documents.
15. Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines.
16. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.
17. The Company/employees shall closely examine the transaction in order to ensure that they are consistent with Client business and risk profile.
18. Contact details such as mobile number and email- id are valid and in working conditions.
19. Financial details are updated at the time of account opening & further on yearly basis for F&O clients & wherever is required.

When the Form is found to be complete in all respects, the account will be opened & details are uploaded in the database / system of the respective Exchanges. After successful upload of the data, trading shall be permitted.

## **Policy for Account opening (UCI & KRA)**

### **Role of Maker**

1. All Client Account Opening Forms Kits from the branches and clients are received in the Head Office.
2. Forms incomplete in any respect are rejected and are registered only after ensuring that the same are complete in all respect.
3. In person verification is done by employee of the company for every client.
4. The client's names are compared with the list of persons barred by SEBI and UN Security Council.
5. **Note:**
  - If client name is found in the list of persons barred by SEBI and UN Security Council, account should not be opened
  - Inform to Client specifying the reason for rejection of account opening request.
6. The AML compliance with regards to identification of the client to be done.
7. Process the Client Account Opening Forms Kits where no discrepancies found.
8. All discrepancies should be informed to the RM by the maker and communication to Client.

### **Role of checker**

1. Details punched by the maker to open the account should be checked by the checker and do the correction if required and release the data for account opening
2. Tariff / cost structure of DP should be rechecking.
3. All required details should be rechecked by the Maker in respect of trading account's requirement.
4. Client code is allotted to the client and data should be punched by the maker in back office system including brokerage.
5. Details punched by the maker to open the account should be checked by the checker and do the correction if required and release the data for account opening.
6. The UCC is uploaded to the Exchanges including the mobile no & e mail id to receive trade confirmation by the maker along with all mandatory KYC attributes as per exchanges & depository.
7. The uploaded UCC should be verify by the Checker
8. A copy of the KYC docket containing the KYC Form, right & obligations, Dos & Don'tsx, RDD along with the other documents and Depository master copy with DIS book sent to the client with the welcome letter and the login ID and password. The client is instructed to verify the details like the Name, Address, Bank and Demat account details, PAN etc. and report in case of any discrepancy

### **In Person Verification 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 Head Office ,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.
- In case of Authorised Persons (appointed by the stock brokers after getting approval from the concerned Stock Exchanges in terms of SEBI Circular No. MIRSD/DR-1/Cir-16/09 dated November 06, 2009) can perform the IPV.
- The employees of the company (HO, branches, Authorised Persons,) 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.
- All documents should be original seen and verified against the Photocopies submitted and which will be stamped OSV.
- Along with the welcome letter a copy of complete set of KYC documents will delivered to the client immediately on activation of his/her Account to ensure the existence of the client as well as his address and other information's /disclosures provided.



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### **RMS Policies and Procedures**

A Risk Management System is integral to an efficient risk system. Signature Global Comtrade Private Limited (SGCPL) have put in place a comprehensive risk management system, which is constantly upgraded as per the Exchange, SEBI & PMLA norm and also as per market movement.

The Model of RMS in SGCPL consists of SGCPL owned Branches, Franchisee, Sub-brokers and Authorized Person.

All the Staff, Branches, Branch Managers, Sub-brokers and Authorised Persons needs to understand and follow the policy as it is the integral part of company.

RMS Function includes:

- To check capital adequacy for exposure and requirements of the client.
- Monitoring of Clients Order, Patterns of Trade, Order rejections, increasing of Exposure/Limits.
- Monitoring MTM profit/loss incurred out of trades.
- Benchmarking Margin v/s Exposure of client.
- Decision taking with regard to squaring off positions on account of MTM loss or Margin shortfalls or any other reasons that may come across.

Risk management in relation to all the trading activities for Clients is handled by RMS & Surveillance Dept.

### **Margins Shortage & Exposure to Customer**

As per SEBI guidelines, upfront margin is mandatory in F&O/Currency/Commodity and Cash segment and it is desirable to collect from Customers. As far as possible, the margins should be collected at the time of opening of account. The exposure will be given on the basis of collateral or will depend on customer to customer. All trades shall be monitored by the RMS / Surveillance Team. Limits shall be defined by taking into consideration ledger balances / collateral securities i.e. 'margin pledged' securities / CUSA (Client Unpaid Securities Account) in the back office software across all exchanges / segments and limits shall be set at Customer level. The procedure of defining limits should be completed before start of trading. At the end of day once the process is run, the cheques shall be collected towards shortages and will get deposited.

Margin/Deposit based limits are assigned to the customers for trading purpose. VaR/SPAN margin specified by the exchanges is blocked at scrip level on the positions taken by the clients during the day.

The exposure limits will be set based on the ledger balance, margin pledge collateral securities. The cash component for utilization of collateral securities (Noncash component) will have the minimum 50% as per Exchange Margining requirement at Broker level. However, any lower percentage of cash equivalent component may be considered for clients based on relationship and agreed terms at sole discretion of

SGCPL RMS/Committee on request. The lower cash component is at the sole discretion of SGCPL from time to time.

**Deposit calculation:** Deposit is calculated at customer level after netting off ledger balance in all segments and holding lying in Client account. Margin is calculated as follows:

**Margin** = Ledger Balance (Dr/Cr) + Net value after haircut of holding & margin pledge available with SGCPL.

**Valuation of holding & margin pledge:** Holding & margin pledge valuation is done on previous day's closing price. Net valuation is calculated by applying appropriate haircut based on VaR margin percentage specified by the exchanges or SGCPL prescribed rates, as the case may be.

**Extreme market conditions:** Limits are assigned based on credit in the ledger. In such conditions, clients will be allowed to buy only to the extent of ledger credit available.

**Single order quantity and value cap:** In order to minimize loss from possible punching errors by a dealer while executing the transaction for a customer, Risk Management of SGCPL puts restriction by capping the maximum quantity and value per order and orders exceeding that maximum quantity or value cap will be rejected. SGCPL also sets terminal level limits to contain loss from erroneous trades getting executed. SGCPL shall not assume any liability in respect of orders rejected by reason of their quantity or value exceeding the cap value.

#### **Margin Shortage**

Margin shortage is not allowed and strict adherence is required to be complied with the margins. In case of sudden shortages in margin which may happen due to sudden fall in market or increase in margins / positions, at the day end, customer shall be requested to deposit the short margin and to comply with the margin requirement. If Customer fails to comply with the margin requirements, the customer shall be penalized as prescribed by the exchanges & cases where margin shortage can result into any type of risk / loss, after giving the adequate information / opportunity, position shall be squared off. In Cash segment also, margin shortages in cases where it can result into risk / loss, after giving the adequate information / opportunity, position shall be squared off.

#### **Invocation of Margin Pledge**

In case of default by a client, SGCPL reserves the right to invoke the pledged securities of the client.

#### **Restricted Scrip Policy**

We shall have the absolute discretion, from time to time, to refuse/partially refuse/accept orders in one or more securities due to various reasons including trading in penny stocks, market liquidity, value of security(ies), illiquid options, far month options, writing of options, market capitalization of the stock and such stock not in demat form, suspicious stocks, restricted stock, securities which are not in the permitted list of the Stock Broker / exchange(s) / SEBI and/or appear under illiquid securities declared by the exchange(s). It is also provided further that Stock Broker may ask for compulsory settlement / advance payment of expected settlement value/delivery of securities for settlement prior to acceptance / placement of order(s) as well. Losses, if any, on account of such refusal by the Stock Broker or due to delay caused by such limits, shall be borne exclusively by the client alone. The Stock Broker shall not be

responsible for any financial or other implications due to such execution, delay in execution or non-execution of any such orders.

The Stock Broker shall have the prerogative to place such restrictions, notwithstanding that the client has sufficient credit or margin available in his account.

The Stock Broker, may however, allow for acceptance of such orders, for certain securities on its own discretion, through its specific internal process, instead of allowing such orders through the standard process like online trading platform or its branches.

### **Restricted Scrip**

In order to exercise additional due diligence while trading in these securities **SGCPL** shall from time to time classify and publish a list of securities which are illiquid as per the list of illiquid securities on a periodic basis by the Stock Exchanges concerned and/or based on such internal criteria as **SGCPL** may deem fit. Together it would be termed as "Restricted Scrip".

**SGCPL** reserves the right to refuse execution of any transaction requests of the client on such restricted securities or to reduce the open market interests of the client in such securities **SGCPL** also reserves the right not to allow any trades or transactions in respect of certain securities or segments or orders/requests which may be below/above certain value/quantity as may be decided by **SGCPL** from time to time.

Criteria have been decided based on the Investment Limit at a client level in allowing trading in restricted scrip:

1. Investments less than or equal to Rs. 0.50 lac per scrip per day **SGCPL** may allow the dealing in restricted scrip, subject to following:
  - a. The trading turnover (buying and selling) in restricted scrips shall not exceed Rs. 0.50 lac per scrip on a single day.
  - b. At any given point of time the holding of any client in restricted scrip shall not be more than Rs. 2 lacs.
  - c. The client should not trade in single restricted scrip for more than 2 days in a month
  - d. To allow dealing in such stocks (buying or selling), 100% ledger credits will be required
  - e. Selling in restricted scrip's is permissible only if they are lying in the client's BO with SGCPLDP account in the last 2 years and more.

### **Restricted futures/options contracts**

We are restricting/ blocking certain Future and options contracts on trading platform to avoid malpractices or erroneous trading. The Parameters on which we are restricting/ blocking such contracts are as under:-

Open interest Value in the contract is less than 25 Lacs. For future contract Open interest x closing prices < 25 lacs, in case of option open interest quantity x (strike price + closing premium price) < 25 lacs.

Or

In case of Option contracts, if strike price falls (+,-) 20 % of previous day closing price of that particular scrip in cash market.

Any contract which falls under the above parameters will be not allowed for trading on trading terminals. Such orders can be placed after due diligence.

#### **Restricted Commodities Futures/Options contracts**

We are restricting/ blocking certain Future and options contracts on trading platform to avoid malpractices or erroneous trading. The Parameters on which we are restricting/ blocking such contracts are as under:-

Open interest Value in the contract is less than 25 Lacs. For future contract Open interest x closing prices < 25 lacs, in case of option open interest quantity x (strike price + closing premium price) < 25 lacs.

Or

In case of Option contracts, if strike price falls (+,-) 20 % of previous day closing price of that particular scrip / contract in Derivative market.

Or

Contracts having in tender/delivery period or nearby tender/delivery period. Far month illiquid future and options contracts.

Any contract which falls under the above parameters will be not allowed for trading on trading terminals. Such orders can be placed after due diligence.

#### **Limit & Square Up Policy**

**Cash Segment** - Limit will be provided on the available margin and on the applicable margin (VAR+ELM) of the respective stock. Upfront margin is required for all types of trades.

- 💰 Exposure would be granted only on cleared funds. In case of receipt of cheque, limit would be granted only upon clearance.
- 💰 No limit will be provided on the shares lying in the respective client DP a/c and also on trade to trades stock.
- 💰 No limit will be provided on shortage of margin.
- 💰 No further exposure/ limit will be given if overall margin is below 30%. I.e., no fresh buying will be allowed
- 💰 No fresh buying limit shall be given on the same day upon the sell of shares lying in the respective Client Demat holding. Limit shall be provided only on next working day.



**Derivative Segment (F&O, Currency and Commodity)** – 100% of the total applicable margin will be required as upfront margin including intraday trades.

- 🌱 No limit will be given in case of shortfall of margin.
- 🌱 At any point of time if the MTM on the open position exceeds 80% of the available margin, then the open position will get liquidated by the system automatically.
- 🌱 Any Intraday FO position will be auto square off at 3.20 pm by the system.
- 🌱 Any intraday Currency Position will be auto square off at 4.45 pm by the system.
- 🌱 Any intraday Commodity Position will be auto square off at 11.15 pm by the system.
- 🌱 M2M credit benefit will be provided for next day trades only.
- 🌱 In case of liquidation of the long open call/put option, the limit will be given for the proceeds on the next day.
- 🌱 No limit in case of 100% pledged share as collateral, there has to have cash margin available with us.

**RMS will Sq-off the position in case of:**

- a. Script highly volatile
- b. Margin /MTM Shortfall
- c. Cheque bounce / third party cheque deposit
- d. Scrip is banned / not allowed for trading / withdrawal from F&O/ as per exchange
- e. Suspicious trade or transaction under PMLA Act
- f. Synchronized trading
- g. Regulatory body prohibits or suspended the client.

**RMS policy of the PRO Trading**

- 🌱 Separate PRO trading ID which is approved by the respective Exchanges must be used for PRO trading.
- 🌱 No trades must be placed in Illiquid Contracts.
- 🌱 No Wash Trades/Cross Deals/Circular trading is allowed.
- 🌱 No trade Modifications is allowed in PRO codes.
- 🌱 Daily Trades, MTM, Margins, Open positions must be informed to the management.
- 🌱 There should not be Sudden Increase in PRO trading volumes.
- 🌱 The positions of PRO and The Directors would be clubbed for calculating the position at Commodity/Client level.
- 🌱 A separate Ledger for all PRO code must be maintained.
- 🌱 A separate Bank/s account for all PRO Code must be maintained
- 🌱 A separate Demat account must be maintained for all PRO deliveries

**Surveillance & Risk Management****UCC parameters:**

Clients Information: SGCPPL has followed all KYC parameters prescribed by SEBI. SGCPPL ensure that key KYC parameters are updated under Client Due Diligence (CDD) process on a periodic basis as prescribed by SEBI and latest information of the clients in UCC database of the exchange. SGCPPL verify all clients PAN details with SEBI banned client list prescribed time to time. Basis on the information SGCPPL shall establish groups / association amongst clients to identify multiple accounts / common accounts / group of clients. In-Person verification is a major part of KYC verification followed by SGCPPL.

**Analyze the trading activity:**

In order to analyze the trading activity of the clients / group of clients or scrips identified basis on alert as mentioned as Table A and Table B.

- a. SGCPPL seek explanation from such identified clients for entering into such transaction
- b. SGCPPL seek trading rationale and necessary documentary evidence such as bank statement / Demat transaction statement or any other documents i.e. IT returns to satisfy itself for analysing / processing the alerts.
- c. After analyzing the documentary evidences, SGCPPL shall record its observation for such identified transactions of its client / Group of clients. In case adverse observation are recorded. SGCPPL shall report all such instances to the respective exchange within the prescribed period of the alert generation. SGCPPL may seek extension of the time period from exchange, wherever required.
- d. As per NSE circular NSE/SURV/48818, BSE notice no. 20210701-30, both dated July 1, 2021 and, CDSL circular CDSL/OPS/DP/SYSTEM/2021/309, both dated July 15, 2021 and with respect to the transactional alerts generated/provided by SGCPPL and downloaded by the Exchange to facilitate effective surveillance at the Member/Depository Participant (DP) end, SGCPPL shall ensure that all alerts are analysed and status thereof (Verified & Closed / Verified & Sent to Exchange) including action taken is updated within the prescribed period and in prescribed format.

**Table A-Transactional Alerts to be provided by the Exchange and the Member (SGCPPL):**

Sr. No.	Transaction Alert	Alerts Segment	Transactional Alerts to be provided by
			The Exchange
1	Significant increase in client activity from previous month (Avg. Daily Turnover)	Cash / Commodity	Yes
2	Sudden trading activity in dormant account	Cash / Commodity	Yes
3	Clients/Group of Client(s), deal in common scrips	Cash	Yes
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips/Contract	Cash / Derivatives / Commodity	Yes
5	Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash	Yes

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6	Client / Group of Client(s)'s Concentration in a scrip	Cash	Yes
7	Circular Trading	Cash	Yes
8	Pump and Dump	Cash	Yes
9	Wash Sales	Cash & Derivatives	Yes
10	Reversal of Trades	Cash & Derivatives	Yes
11	Front Running	Cash	Yes
12	Concentrated position in the Open Interest / High Turnover concentration	Derivatives	Yes
13	Order book spoofing i.e. large orders away from market	Cash	Yes
14	Large Trade (Quantity)	Cash & Derivatives	Yes
15	Order Spoofing	Cash & Derivatives	Yes
16	Concentration in Open Interest – Commodity Level	Commodity	Yes
17	Concentration in Turnover	Commodity	Yes

**Table B-Transactional Alerts to be provided by the Depository Participant (SGCPL):**

Sr. No.	Indicative themes
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 Participant.
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

### II. IN-HOUSE ALERTS

1. Client / group of clients, as identified by the trading member, accounting for a significant percentage of the total trading activity in a scrip / contract as compared to the market.
2. Client / group of clients with new account or clients dealing after a significant time gap, as identified by the trading member, accounting for significant value / percentage of total trading

activity in a scrip / contract as compared to the market.

3. Client / group of clients dealing frequently in small quantities/minimum market lot in a scrip /contract.
4. Disproportionate trading activity vs reported income / Net worth.
5. Frequent changes in KYC submitted by clients.
6. Based on an announcement by a listed company, identify Client / group of clients, having possible direct / indirect connection with a listed company, who have undertaken any suspicious trading activity prior to price sensitive announcement by said listed company.
7. Client / group of clients having significant selling concentration in the scrips, forming part of 'For Information list' or 'Current Watch list'.
8. Consistency in profit / loss at client / group of clients' levels, rationale for such trading activities.
9. Significant trading activity in scrips by client who has pledged the shares of same scrip.
10. In case of concerns of trading activity of a client or a group of clients in a scrip, monitoring whether the orders are being placed by respective clients or their authorized representatives and monitoring client's address as per KYC vis a vis the dealing office address

**Related to DP Operation:** Significant trading activity in scrips where client has pledged shares or has significant holding or as frequent off-market transactions.

**Related to Internet based Trading:** Surveillance / monitoring of IP addresses of clients (including identification of multiple client codes trading from the same location).

**Monitoring and reporting Order/Trade Surveillance:**

Order / Trade surveillance shall be managed independently by RMS Team. To ascertain suspicious transactions in form of Intraday volume status, Inter client trades, Trade executed at exceptionally higher or lower rates or trade executed in illiquid scrip's / contracts, RMS software is being used other than alert services provided by NSE,BSE & MCX.

**Analysis to find unfair trades:**

Our surveillance mechanism continuously keeps watch on order/trade execution. The following steps are taken care.

1. **Intraday Volume Status** – Surveillance is kept on trade executed and hit Exchange volume by 10% or more.
2. **Inter Client Trades** – Surveillance is kept on trade executed for inter client trade execution.
3. **Trades at High/ Low** – Surveillance is kept on trade executed at day's high or low.
4. **Trades - Illiquid Scrips / Contracts** – Surveillance is kept on trade executed in illiquid scrip's (as are provided by exchanges) in Futures/ options.

**Process of disposal**

In case of generation of alert, RMS shall investigate it further by verification of trade with customer and / or trader or by any other mean it deem fit. In case, if RMS finds any suspicious transaction, the same is reported to the Principal Officer/Compliance officer. Principal Officer/Compliance officer also investigate it further and upon his satisfaction, the same is disposed under intimation to the Director.

### **Surveillance Compliances:**

RMS team ensure to the following.

1. Order Management System and Internal Controls.

- a. Client-wise and Security-wise limits on exposure, open position etc. to be set up.
- b. Review, define and maintain logs of the limits placed on execution of orders in cash/derivatives segment: quantity limit for each order, value limit for each order, user value limit for each user ID/CTCL. Branch value limit for each branch ID. Spread order quantity value limits.
- c. Ensure that adequate systems are in places that capture IP details of traded done using the IBT / other connectivity platform.
- d. RMS ensure to block trade modification for any client. No transfer of traded from one client to another.
- e. RMS ensure to collect upfront margin in clients account before accepting order or updating limits.
- f. 100 % of collection of margin shortage.
- g. No cash transaction / third party cheques / third party DD or pay orders are allowed in any case.
- h. SGCPL ensure to orders placed only by authorized dealers.

### **T+2+5 Ageing Collection / Square off Policy**

This has reference to SEBI circulars SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/95 dated September 26, 2016 and SEBI/HO/MIRSD/MIRSD2/CIR/P/2016/138 dated December 20, 2016 on Enhanced Supervision of Stock Brokers.

Based on the representations received from Members, SEBI, vide their circular no. CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017 has issued clarifications on certain provisions of the circular on Enhanced Supervision.

With reference to SEBI circular CIR/HO/MIRSD/MIRSD2/CIR/P/2017/64 dated June 22, 2017 on Enhanced Supervision of Stock Brokers. As per clause 2.6, "Stock brokers shall not grant further exposure to the clients when debit balances arise out of client's failure to pay the required amount and such debit balances continues beyond the fifth trading day, as reckoned from date of pay-in, except, in accordance with the margin trading facility provided vide SEBI circular CIR/MRD/DP/54/2017 dated June 13, 2017 or as may be issued from time to time." This clause would be effective from August 1, 2017.

Stock broker shall not grant further exposure to the clients having debit balance (across segment) beyond T+7 (T indicates Trading Day). Client should provide adequate amount or reduce position up-to ageing debit amount on the day of T+6 for further exposure. Client shall not be allowed for Intraday trading also (across segment) beyond T+7.

To obtain new exposure client should provide 100 % collection up-to ageing debit amount by cheque /fund transfer.

It is client's obligation to clear his/her outstanding dues by T+2 (T indicates Trading Day). The client shall ensure timely provision of funds to SGCPL so as to meet exchange obligations. In case of default by client, SGCPL reserves the right to close the positions / sell securities / invoke the pledged securities to the extent of ledger debit and /or to the extent of margin obligations. Selling will be done in clients

account on T+7 days for the ledger debit which is more than T+6 days on ageing basis. For e.g.: All trades executed in debit on Monday will be squared off on next Wednesday (T+7) where T indicates Trading Day. In other words, if funds are not received for scrips purchased in debit on Monday by next Tuesday i.e. T+6, SGCPL shall liquidate securities to the extent of ledger debit as per ageing basis.

**Action to be taken**

Client should clear at least T+7 settlement debits in form of Cheque / NEFT/RTGS/Online fund transfer by T+6 day. Keeping in view the above points if collection not received from clients, Risk Management will liquidate securities up to the amount of ageing debit.

Debits lying in client accounts either due to MTM or towards purchase of stocks with adequate comfort are categorized under ageing debits.

- 💰 As a procedure, ageing debit cannot be extended beyond T+7 days.
- 💰 Information will be shared by RMS through SMS and e-mail to clients and mail communication to respective Branch Head / RM.
- 💰 Risk Management shall initiate selling for those clients wherever payment is not collected.
- 💰 The system randomly selects stocks up to the value of debit irrespective of whether stocks are held in Beneficiary A/c or DP POA account.
- 💰 Selling of ageing debit shall be process before 3.30 pm by Risk Management on NOW through product type CNC in NSE or BSE segment.

**Exception for small debit**

Square off shall not be executed for clients having small debits i.e. Rs. 1000/- or less.

### **Prevention of Insider Trading**

As per the SEBI regulation regarding prohibition of insider trading, the following procedures shall be undertaken:

1. Directors and / or Employees shall maintain the Confidentiality of all Price Sensitive Information & will not pass such Information either directly or indirectly by way of making a recommendation to anybody for the Purchase or Sale of Securities.
2. Price Sensitive Information should be disclosed only to those, who need the Information to discharge their Duties in the company and whose Possession of such Information will not give rise to a Conflict of Interest or Appearance of Misuse of the Information.
3. All files / data, containing Confidential Information shall be kept in a secure environment. All computer files must have adequate security such as Login and Password.
4. Directors / Employees shall not use Price Sensitive Information to Buy or Sell Securities of any sort, whether for their companies Accounts, Own Account, their relative's Accounts or Client's Account.
5. All Directors / Employees, who intend to deal in the Securities of listed Companies where company have some assignment / interest, shall first pre-clear the transactions as per the pre-dealing Procedure, wherein, an application, may be made in this regard, to the Compliance Officer indicating the name and estimated number of Securities that the Director / Employees intends to deal in, with the details of Demat Account and any other details as may be required at that point in time.
6. In order to monitor above Procedures and Trading in Client Securities based on Inside Information, the company as and when required, would restrict Trading in certain Securities.
7. The restricted List shall be maintained by the RMS Team.
8. Any Director / Employee who trades in Securities or communicates any Information or counsels any Person Trading in Securities will be treated as contravention of the policy, may be penalized and suitable action shall be taken against him / her as find appropriate by L1.
9. The Action by the company shall not preclude SEBI from taking any Action in case of Violation of SEBI (Prohibition of Insider Trading) Regulations, 1992.
10. The company designate its Compliance officer for the prevention of insider trading and in case of any violation observed, Compliance Officer shall inform it to the Director / SEBI.

### **Order Receipt and Execution.**

SGCPL shall execute trades of clients only after keeping evidence of the client placing such order, it could be, inter alia, in the form of:

- 📄 Physical record written & signed by client
- 📄 Telephone recording
- 📄 Email from authorized email id
- 📄 Log for internet transactions
- 📄 Record of SMS messages
- 📄 Any other legally verifiable record
- 📄 Request from person authorised by the client to operate the account
- 📄 The client details like client code, client name is confirmed before placing the order.
- 📄 SGCPL has a system for the trade verification by sending sms/email and through telephonic confirmation.

### **Prevention of unauthorized Trading**

Though the SEBI has taken various steps in the past to tackle the menace of the unauthorized trades in the past. Further, SEBI has issued a circular no. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated 22nd March, 2018 to strengthen regulatory provisions against unauthorized trades and also to harmonise the requirements across markets. As per the circular SGCPL shall execute trades of clients only after keeping evidence of the client placing such order, it could be, inter alia, in the form of:

- a. Physical record written & signed by client
- b. Telephone recording
- c. Email from authorized email id
- d. Log for internet transactions
- e. Record of SMS messages
- f. Any other legally verifiable record

Further, wherever the order instructions are received from clients through the telephone, the stock broker shall mandatorily use telephone recording system to record the instructions and maintain telephone recordings as part of its records.

When a dispute arises, the broker shall produce the above mentioned records for the disputed trades. However, for exceptional cases such as technical failure etc. where broker fails to produce order placing evidences, the broker shall justify with reasons for the same and depending upon merit of the same, other appropriate evidences like post trade confirmation by client, receipt/payment of funds/securities by client in respect of disputed trade, etc. shall also be considered.

The Brokers are required to maintain the records specified above for a minimum period for which the arbitration accepts investors' complaints as notified from time to time currently three years. However, in cases where dispute has been raised, such records shall be kept till final resolution of the dispute.

In case of branch visitor client's physical record written & signed by client's has to be maintained by broker on daily basis.



### **Unauthenticated News / Rumours**

As per the SEBI guidelines regarding restrictions on circulation of unauthenticated news / information, the following procedure is adopted:

1. Director/ Employees will not circulate any rumours or unverified information or news obtained from client, industry, any trade or any other sources without the specific approval of Compliance Officer.
2. The Compliance Officer, before approving circulation of any news, have to verify it's authenticity and only after satisfying himself can allow circulation of any such news.
3. The Compliance Officer with the assistance of IT department shall ensure no usage of Blogs /Chat forums /Messenger sites etc., so that no unauthenticated news / information is circulated.
4. The Compliance Officer should ensure proper education and training to all the employees to understand the nature of unauthenticated news / information.
5. The trading staff will not be allowed to use mobile phone during trading hours.
6. The company shall designate the Compliance officer for the prevention of circulation of unauthenticated news/information and in case of any violation observed, Compliance Officer shall be liable.



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### **Client Code Modification and Error Code Policy/Transfer of Trade**

#### **Brief criteria about client code modification**

As per the policy of the company, transfer of trade from one account to other account is not permissible. Further, Stock Exchanges provide a facility to modify client code after the trade has been executed to rectify any error or wrong data entry at the time of punching orders. However, such Client Code Modification is subject to certain guidelines issued by SEBI and the Stock Exchanges in this regard. "Error Trades" means the trades which will be modified / to be modified / allowed, to be modified subject to guidelines of the SEBI / Stock Exchanges and this policy. The Exchange has provided the facility of client code modification only with a view to rectify genuine errors.

The facility is mainly to provide a system for modification of client codes in case of genuine errors in punching / placing the orders. It is to be used as an exception and not a routine. To prevent misuse of the facility Stock Exchanges levy penalty / fine for all non-institutional client code modifications.

This policy is applicable to all Client Code Modifications carried out / to be carried out in any of the client accounts, subject to guidelines issued by the SEBI / Stock Exchanges from time to time, in any segment of any exchange of which the company is a Member.

#### **Details about genuine error**

The following trades shall be modify/ allowed to be modify, shall be treated as genuine error and transferred to Error Account.

- Punching error / typing error of client codes due to any genuine error or mistake in order entry, while punching the order, by any of dealer.
- Trade entered for wrong client due to any miscommunication from the client /authorized representative of the client.
- Client code/name and modified client code/name are similar to each other but such Modifications are not repetitive.
- Family Code (spouse, dependent parents, dependent children and (HUF)
- Institutional trades modified to broker error/pro account.
- In the exceptional error case, the matter shall be thoroughly investigated before the trade being transferred from one client to other client on the exchange platform. Further, in all the scenarios, trade must be cross verified from both the clients viz., the client in which trade was done and client to who's account trade is to be transferred.

#### **The board and management directives**

The Board and Management have approved under mention policy in this regard and instruct all the office bearers to follow it strictly.

- To control the punching error, it has been decided that client code mapping will be restricted in trading terminals.
- To create a separate error account in the name of "ERROR" as per the exchange circular.
- To maintain Client Modification registers with immediate effect for recording the errors.

- Dealers are advised to hear patiently the client code /scrip name and reconfirm the same to their best possible efforts before placing order into the system.
- Department head/ compliance officer are advice to analyses the mistake and to take /implement corrective measures to their best possible efforts to minimize.
- Department Head/ Compliance officer are advice to update the report to the Board / management on the implementation of the said policy periodically.

**Reporting system**

- Client code modification issues should be reported to the management and can be done only after getting approval after knowing it's genuinely as per exchange directives.
- Any client code modification shall be subjected to this policy be carried at Head Office of the company.
- The company review every day the Error Account file send by the Exchange.
- A separate register to be maintained by the company for above purpose where full details will be recorded.



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### **Debit Recovery**

Transactions are normally carried out after having the adequate margins. In case of outstanding dues, the amount is recoverable before the pay in date. As a procedure of recovery, Customer will be informed to make the payment or to square off the position. In case if client do not make the payment nor the positions are reduced / squared off & there is a possibility that Risk / Loss may arise, positions will be reduced / squared off to the extent as deemed fit by the RMS Team. Also, basis the Exchanges guidelines, Customers A/c's are required to be settled on quarterly basis.



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### **Prefunded Instrument & electronic fund Transfer**

As a practice the company do not accept prefunded instrument to take payment through Bankers Cheque or Demand Draft. In exceptional cases, the following guidelines are required to be followed:

1. If it's a Bankers Cheque, Pay Order or Demand Draft, suitable reason / clarification must be taken from the client in writing.
2. Before depositing, details of the instrument should be cross checked with the information available in Back Office Software.
3. In case of direct deposit, before giving credit to the customer, any of the following shall be required.
  - a. Duly acknowledged copy of Counterfoil, (portion of which is returned by the Bank).
  - b. Certified copy of the Bank statement to verify the clearance entry of the payment.
4. In case of mismatch between the Bank particulars from which the payment is received and with the information that is available with us, OPS Team should be informed by the person who takes care of Banking.
5. We shall not encourage client to make payments through pre-funded instrument, and shall take all steps to educate customer to not to use the same. For the purpose, we shall use guidelines issues by exchanges and rules & byelaws laid down by PMLA / SEBI.
6. Payment that shall be received from the Electronic Fund Transfer, before giving credit, must be checked for their authentication such as payee account number, name etc. In case of non availability of details, the same shall be asked from the client, confirmation of which should be certified by the bank.
7. If due to any compulsion, it becomes mandatory to accept the instrument, if aggregated value of instruments is Rs. 50,000/- and above, it will be accepted only once in a year & with the required documents as mentioned in the policy.
8. Pre-funded instrument form third party cannot be accepted.

### **Settlement of Client account**

**To settle the account following steps shall to followed: -Selection of client:** A provision will be made in system to identify the accounts where settlement is required to done. The procedure for the actual settlement of client's account is as under.

a) For the clients having outstanding obligations on the settlement date, the company will retain the requisite securities / funds towards such obligations and may also retain the funds expected to be required to meet margin obligations for next 5 trading days, calculated in the manner specified by the exchanges.

b) The actual settlement of funds and securities shall be done by the company, at least once in a calendar quarter or month, depending on the preference of the client. while settling the account, the company will sent to the client a 'statement of accounts' containing an extract from the client ledger for funds and an extract form the register of securities displaying all receipts / deliveries of funds/securities. The statement shall also explain the retention of funds / securities and the details of the pledge, if any.

c)Further to avoid inconvenience to the client's considering issuance and receipts of cheques, any account having credit/debit balance equal or less then Rs 10,000.00 (Rupees Ten thousand only) shall be treated as settled.

d) The calculation method as specified by SEBI / Exchanges will be applicable for all the clients on daily basis, hence if any client's accounts get settled across the exchanges taken together as per specified calculation, the same shall be treated as settled. For example, if customer accounts come to Credit form Debit and form Credit to Debit, it shall be treated as settled.

e) No inter-client adjustment is done for the purpose of settlement of running account.

Post completion of activity, a communication will be sent to the client by email.

### **INVESTOR GRIEVANCE REDRESSAL MECHANISM**

The company has a separately designated investor grievances email id [ig@signatureglobaltrade.com](mailto:ig@signatureglobaltrade.com) on which the client or investor can lodge a complaint. The designated email-id is displayed on the website of the Company [www.signatureglobaltrade.com](http://www.signatureglobaltrade.com) and printed prominently on the Notice Boards displayed at the Branch, Sub-Broker and Authorised Person's office, printed on various KYC forms contract notes, holding statements and other communications sent to Clients. The company has a Compliance Department at its corporate office with requisite staff strength headed by the Compliance Officer.

### **RECEIPT OF GRIEVANCES**

SIGNATURE GLOBAL COMTRADE can receive client complaint either directly from client - in any of the modes viz physical letters, fax, e-mail, phone and personal visit. Further, clients' complaints are also received through SCORES, Regulatory authorities, Advocates, Consumer forums etc. Handling of all investor grievances is a centralized function and is being handled by Compliance Officer at the corporate office of the company.

### **RECORDING OF GRIEVANCES**

A Register of Complaints is maintained in accordance to the rules, regulations, Bye laws and directives of the Exchanges/SEBI stating complete detail of complaints including name of originating branch, sub-broker, authorized person etc. All the Investors complaints are recorded immediately in Investor Grievance Register maintained separately for each Exchange and Depository. The Complaint received either physically or electronically by email shall be filed serially. The Compliance Officer will be responsible for receiving and recording all the Investor complaint.

### **HANDLING OF GRIEVANCES**

It will be the duty of Compliance Officer to ensure that the complaints received from investors are redressed earliest and without delay. All the Investor Grievances received are verified and scrutinized by the compliance officer. On receipt of the complaint, the Compliance Officer can seek further information from the complainant and also seek any details/information from the concerned department/ officials/Sub-Brokers/Authorised Person for verification against allegations made in the complaint. If there is no response from concerned department/officials/Sub-Broker/Authorised Person within 7 working days of the complaint, the same is escalated to Managing Director.

The company has set a target period of maximum 30 days for redressal of any complainant and providing prompt reply to the Investor.

Once the complaint is resolved/closed, the Compliance Officer gives the sign-off.

### **REVIEW OF COMPLAINT**

The Compliance Officer regularly monitors and reviews complaints according to its nature, originating branch, against a particular employee and/or sub-brokers, authorized person etc. and on the basis of such analysis, inform the management to take adequate steps to strengthen the systems.

The Internal Auditors review grievances status on a periodic basis.

A MIS of the complaints received, pending and resolved during the Quarter are placed before the Board of Directors of the company for their review and necessary advice.

### **Risk Control**

All securities will be / is stored in fire-proof cabinet. All other documents like instruction slips, account opening forms etc. in physical form will be / is stored at the following address 230 - 232 D-MALL, NETAJI SUBHASH PLACE PITAMPURA DELHI - 110034. Daily backup will be / is taken on two sets on hard disk of which one will be / is maintained at our premises in a fire proof cabinet and remote hard disk will be / is stored at compliance officer residence.

We have a maker-checker system in all our operations, which minimizes the risk of wrong execution in the system. We have a system in place for all the operations like account opening, dematerialization, rematerialisation, transfer of securities, pledge and hypothecation etc.

We shall follow the CDSL Bye Laws and DP Operation Manuals

### **CLIENT REPORTING**

- Transaction statement will be given at least once in a month if there has been any transaction in the account during that month. Otherwise, the statement shall be sent on quarterly basis. The transaction statements shall be sent to all the BOs directly from the Head Office.
- Any modification in the Demat account shall be entered only when such request is submitted in writing along with necessary documents.

### **RECORD MAINTENANCE**

We maintain an efficient system of filing. Copies of all documents directly affecting operations will be preserved. All documents on the basis of which data is entered/updated in the system will be preserved. All correspondence between Participant and clients/ Issuer/ R & T agent/trading members/clearing members/companies will be preserved. In case of records being maintained in electronic form, provisions of relevant Act and CDSL requirements shall be followed. All the records are to be maintained by the Participants for a period of Eight years.



## **MEASURES TO AVOID OR TO DEAL CONFLICT OF INTERESTS**

We shall put in place the following arrangements to manage the Conflict of Interest promptly and fairly as per guideline laid down in SEBI circular no. CIR/MIRSD/5/2013 dated August 27, 2013 for dealing with Conflicts of Interest & :

- Maintain high standards of integrity in the conduct of our business.
- Ensure fair treatment of our Clients and not discriminate amongst them.
- Ensure that our personal interest does not, at any time conflict with their duty to our Clients and Client's interest always takes primacy in their advice, investment decisions and transactions.
- Make appropriate disclosure to the clients of possible source or potential areas on conflict of interest which would impair the ability to render fair, objective and unbiased services.
- Endeavour to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department to another etc.
- Appropriate Restrictions on transactions in securities while handling a mandate of issuer or client in respect of such security so as to avoid any conflict
- Not deal in securities while in possession of material non published information.
- Restrictions on communication of material non published information while dealing in securities on behalf of others.
- Not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities.
- Not have an incentive structure that encourages sale of products not suiting the risk profile of their clients.
- Not utilize information received from clients or pertaining to them, obtained as a result of our dealings, for our personal interest.
- Not share information received from Clients or pertaining to them, obtained as a result of our dealings, for personal interest.

We shall also review all other policies and shall ensure wherever the conflict of interest is arising shall be eliminate immediately.

### **Policy on Outsourcing of Activities by Intermediaries**

SEBI vide its circular no. CIR/MIRSD/24/2011 dated December 15, 2011 issued a General Guidelines on Outsourcing of Activities by Intermediaries, SEBI decided to put in place comprehensive guidelines to collectively cover principals for outsourcing for Intermediaries.

**SIGNATUREGLOBAL COMTRADE PRIVATE LIMITED (SGCPL)** is not outsourcing any business activities, but in view of the above circular Board has decided to streamline the policy in line of the SEBI so that if and when in future **SGCPL** decided to outsource then it will adapt the following strategy.

#### **Principles for Outsourcing for SGCPL**

**1. The Board of the SIGNATUREGLOBAL SECURITIES PRIVATE LIMITED shall have the responsibility for the outsourcing and related overall responsibility for activities undertaken.**

Only those activities which will, if outsourced would not impair the supervisory authority's right to assess, or its ability to supervise the business of the SGCPL are outsourced.

The Board mandates a regular review of outsourced activities. It also have overall responsibility for ensuring that all outsourcing decisions taken by SGCPL and the activities undertaken by the third-party, are in keeping with its outsourcing policy.

**2. The SGCPL establishes a comprehensive outsourcing risk management programme to address the outsourced activities and the relationship with the third party.**

SGCPL makes an assessment of outsourcing risk which depends on several factors, including the scope and materiality of the outsourced activity, etc. The factors that could help in considering materiality in a risk management programme include:-

- The impact of failure of a third party to adequately perform the activity on the financial, reputational and operational performance of the SGCPL and on the investors / clients;
- Ability of the SGCPL to cope up with the work, in case of non performance or failure by a third party by having suitable back-up arrangements;
- Regulatory status of the third party, including its fitness and probity status;
- Situations involving conflict of interest between the SGCPL and the third party and the measures put in place by the Company to address such potential conflicts, etc.

While there are no prohibition on a group entity / associate of the **SGCPL** to act as the third party, systems is put in place to have an arm's length distance between the **SGCPL** and the third party in terms of infrastructure, manpower, decision-making, record keeping, etc. for avoidance of potential conflict of interests. Necessary disclosures in this regard will be made as part of the contractual agreement. Risk management practices expected to be adopted by Company while outsourcing to a related party or an associate would be identical to those followed while outsourcing to an unrelated party.

The records relating to all activities outsourced are preserved centrally so that the same is readily accessible for review by the Board of the **SGCPL** or its senior management, as and when needed. Such records are regularly updated and may also form part of the corporate governance review by the management of the intermediary.

Regular reviews by Internal/External auditors of the outsourcing policy, risk management system and requirements of the regulator shall be assess, The **SGCPL** reviews the financial and operational capabilities of the third party in order to assess its ability to continue to meet its outsourcing obligations.

### **3. Activities Not To Be Outsourced.**

Company shall not outsource its core business activities and compliance functions. Core Business activities such as:

- Execution of orders and monitoring of trading activities of
- Dematerialization of securities in case of depository participants;
- Investment related activities in case of Mutual Funds and Portfolio Managers.
- Regarding Know Your Client (KYC) requirements, we shall comply with the provisions of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 and Guidelines issued there under from time to time.

An activity shall not be outsourced if it would impair the Board's right to assess, or its ability to supervise, the business of SGCPL or Group.

### **4. The Company ensures that outsourcing arrangements neither diminishes its ability to fulfil its obligations to customers and regulators, nor impede effective supervision by the regulators**

- The SGCPL is fully liable and accountable for the activities that are being outsourced to the same extent as if the service were provided in-house.
- Outsourcing arrangements does not affect the rights of an investor or client against the SGCPL in any manner. The Company would be liable to the investors for the loss incurred by them due to the failure of the third party and also be responsible for redressal of the grievances received from investors arising out of activities rendered by the third party.
- Outsourcing arrangements does not impair the ability of SEBI/SRO or auditors to exercise its regulatory responsibilities such as supervision/inspection of SGCPL.

### **5. The Company conducts appropriate due diligence in selecting the third party and in monitoring of its performance.**

SGCPL exercises due care, skill, and diligence in the selection of the third party to ensure that the third party has the ability and capacity to undertake the provision of the service effectively.

The due diligence undertaken by SGCPL includes assessment of:

- Third party's resources and capabilities, including financial soundness, to perform the outsourcing work within the timelines fixed;
- Compatibility of the practices and systems of the third party with the intermediary's requirements and objectives;
- Market feedback of the prospective third party's business reputation and track record of their services rendered in the past;
- Level of concentration of the outsourced arrangements with a single third party;
- The environment of the foreign country where the third party is located

**6. Outsourcing relationships governed by written contracts / agreements / terms and conditions (as deemed appropriate) {hereinafter referred to as “contract”} that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures, etc.**

Outsourcing arrangements governed by a clearly defined and legally binding written contract between the SGCPL and each of the third parties

**Outsourcing contract:**

- Clearly defines what activities are going to be outsourced, including appropriate service and performance levels;
- Provides for mutual rights, obligations and responsibilities of the SGCPL and the third party, including indemnity by the parties
- Provides for the liability of the third party to the Company for unsatisfactory performance/other breach of contract
- Provides for the continuous monitoring and assessment by SGCPL of the third party so that any necessary corrective measures can be taken up immediately
- Includes, where necessary, conditions of sub-contracting by the third party, i.e. the contract shall enable SGCPL to maintain a similar control over the risks when a third party outsources to further third parties as in the original direct outsourcing;
- Has unambiguous confidentiality clauses to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract;
- Specifies the responsibilities of the third party with respect to the IT security and contingency plans, insurance cover, business continuity and disaster recovery plans, force majeure clause, etc.;
- Provides for preservation of the documents and data by third party ;
- Provides for the mechanisms to resolve disputes arising from implementation of the outsourcing contract;
- Provides for termination of the contract, termination rights, transfer of information and exit strategies;
- Addresses additional issues arising from country risks and potential obstacles in exercising oversight and management of the arrangements when intermediary outsources its activities to foreign third party.
- Neither prevents nor impedes the **SGCPL** from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers; and
- Provides for SGCPL and /or the regulator or the persons authorized by it to have the ability to inspect, access all books, records and information relevant to the outsourced activity with the third party.

**7. The SGCPL and its third parties establishes and maintains contingency plans, including a plan for disaster recovery and periodic testing of backup facilities.**

- Specific contingency plans are separately developed for each outsourcing arrangement, as is done in individual business lines.

- SG CPL takes appropriate steps to assess and address the potential consequence of a business disruption or other problems at the third party level.
- SG CPL ensures that third party maintains appropriate IT security and robust disaster recovery capabilities.
- Periodic review of the critical security procedures and systems of the backup facilities shall be undertaken by SG CPL.

**8. The SG CPL takes appropriate steps to require that third parties protect confidential information of both SG CPL and its customers from intentional or inadvertent disclosure to unauthorized persons.**

- SG CPL takes appropriate steps to protect its proprietary and confidential customer information and ensure that it is not misused or misappropriated.
- SG CPL prevails upon the third party to ensure that the employees of the third party have limited access to the data handled and only on a “need to know” basis and the third party have adequate checks and balances to ensure the same.
- In cases where the third party is providing similar services to multiple entities, SG CPL ensures that adequate care is taken by the third party to build safeguards for data security and confidentiality.

**9. Potential risks posed where the outsourced activities of multiple intermediaries are concentrated with a limited number of third parties.**

In instances, where the third party acts as an outsourcing agent for multiple stock brokers, it is the duty of the third party and SG CPL to ensure that strong safeguards are put in place so that there is no comingling of information /documents, records and assets.

**POLICY FOR SEGREGATION OF FUNDS AND SECURITIES OF CLIENTS**

System of pay in and pay out of funds from / to clients:

- Pay in and pay out of the clients funds are made as per the rules & regulations of the exchange however some of the cases we retain pay out funds due to instruction of the clients to keep credit to enable buy the security.
- We shall monitor the pay-in/payout figures & manage the fund accordingly to ensure that client funds/collaterals are not used for any purposes other than meeting the respective client's margin requirements / pay-ins
- We shall maintain separate Client Bank account, Settlement Bank account, Separate Client Beneficiary, Exchange dues account and own account; wherein the client funds and securities are deposited in the respective client accounts only.
- Separate Own Beneficiary Account are maintained.
- Not to undertake system of funding facility to the clients.
- At the time of client payout on the settlement day; the creditors are been paid as per the settlement cycle and until Creditors instruct to hold the amount or adjust the same for margin obligation or for some buying opportunity. In case if the client have a debit balance then the shares are transferred to their Beneficiary account.
- In case of proprietary transaction; separate own account is maintained which is distinguish from the client bank and client beneficiary account. In terms of shares and Funds pay-in and pay-out the required shares and funds are been transferred from Own to pool account and Client Bank account respectively.
- In no circumstances the shares of one client is used for meeting the others clients Payin or Margin obligation.
- We are not doing any fund based activities such as funding to clients expect where client fails to meet his pay-in obligations.
- The funds are collected/received from the client registered bank accounts & no fund received from any other third party accounts.
- We do not have any practice to transfer the funds to any third party, however we have policy to transfer funds to third party but is special case, client may request in abnormal situation than we collect request letter from the client to issue third party cheque.
- We have maintained separate Client Margin account, wherein the client transfers the shares towards the margin obligation or for additional position in Derivatives segment. Client's funds/collaterals shall not be used for any other purpose than meeting the respective client's margin requirements/pay-ins.
- If we collect the margin amount from clients than same we are crediting in clients ledger. We ensure that client collateral is not used for any purposes other than meeting the client's margin requirements / pay-ins. We maintain records to ensure proper audit trail of use of client collateral.
- Funds of Client having credit balance shall not be used for funding of the Client having debit balance and Client having funds/collaterals shall not be used as margin for proprietary trade.
- Daily bank balance of client & settlement accounts and balance in clearing member will be verified on daily basis.

- We collect and release fund through approved banking channels i.e. Accounts payee cheque, NEFT or RTGS Only. Proper audit trail should be maintained while receiving fund from clients.

### **Securities:**

- In the case of securities we only received and give delivery of securities in “demat mode” should be directly to / from the “beneficiary accounts” of the clients except delivery of securities to a recognized entity under the approved scheme of the stock exchange and / or SEBI.
- Client securities should be segregated from SGCPL’s own securities. Client’s securities are not appropriated to meet SGCPL’s own obligations.
- In case of sale of securities, delivers are received from clients in the pool accounts intimated to the clients on T Days/T+1/T+2 Day.
- We have also received POA for pay-in only from clients to maintain shares on there behalf to avoid trouble of pay-in on daily basis. Prober records for securities received/given to the clients are maintained.
- In case of pay-out of shares, after verifying all the due fund are received, shares are transferred to client registered demat account on pay-out date. Otherwise the same are transfer to our client beneficiary demat account for holding the shares on behalf of clients, to be transferred to client demat account after receipt of funds.
- We reconcile our pool, principle, & client beneficiary/margin demat account on daily basis.
- All shares lying in the client margin accounts are segregated segment wise & client wise through our back office software & same is maintained in back office software. Proper segregation are maintained for client and own securities.
- We have also subscribed the CDSL easiest facility to monitor online activity of pool and other accounts.
- We have system where control to check that client’s securities are not mis-utilised for own purpose or for any other client is done.
- We do not have any policy to accept / transfer securities to any third party. In case if we received from a third party then the same is returned back to the same DP ID. Further, if the receipt is from the client another demat accounts, then proof for the same is called from client and back office details are updated with new records.

### **Internal controls & Compliance Functions**

#### **Statement of Funds & Securities:**

We are sending statement of funds & securities as per the options selected by the client. However as a practice, we sent the statement of funds & securities on quarterly basis through electronically/physically, as applicable & proof of delivery is also maintained by us.

We also send client 'statement of accounts' containing an extract from the client ledger for funds and an extract from the register of securities displaying all receipts & deliveries of funds/securities & a statement explaining the retention of funds & or securities at the time of settlement.

#### **Power of Attorney (POA):**

We do not take any kind of power of attorney form client for any purpose except for Pay-in of the securities. Same is in accordance with the provisions of SEBI and the stock exchanges. POA is majorly executed at the time of account opening & in some cases when requested by client.

#### **Compliance Functions:**

The role of Compliance officer is to formulate compliance policy for the Company and to monitor the company's business activities to ensure compliance.

The Compliance Officer advises line management of the company about the impact of applicable regulations on their business area and also supports them in discharging their responsibilities to comply with applicable regulations.

The company has also implemented compliance calendar to keep proper control over the operations and compliances.

In order to achieve the above objectives, the Compliance Team undertakes following activities on a regular basis.

- Check on staff dealing to ensure that it is in accordance with the Employee Trading Policy and also in conformity with Code of Conduct for Prevention of Insider Trading.
- Review of client files to ensure the documentation is complete.
- Review of client account to ensure compliance with regulatory requirements on client funds.
- Identify potential conflicts of interest.
- Review of documentation, particularly in areas with regulatory responsibility.
- Review of transaction specific documents.
- Review of any complaints, penalties, fines.
- Review of manuals on a semi-annual or annual basis to ensure that necessary updating is carried out.
- The compliance Team is also responsible for updating of the policies in line with the various circulars being issued by the exchange and is also responsible for implementing, the various / SEBI requirements.



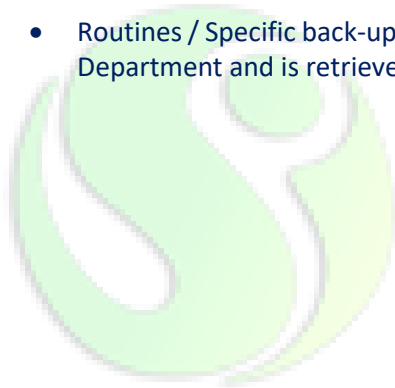
- The compliance Team also carried out Investor Education, as required and Employee training within the organization to keep the employees updated on the latest requirements of various regulators.
- Review of the alerts provided by the exchange/DP and also maintaining the records for the same.
- Review the alert / surveillance controls generated through the back office software.
- The compliance Team is also responsible for providing all the submissions as required to the regulators before the due date. In case of any delay they should inform / update the senior management regarding the delay in submissions.

#### **MARGIN TRADING**

The company is not providing Margin Trading facility as of now.

#### **CONTINUITY PLANNING / ALTERNATE PLAN IN CASE OF DISASTERS ETC:**

- We have installed proper power backup & state of art technology. We also have a proper backup System in place and have multiple mode of Connectivity for trading access and also for back office / support access.
- Routines / Specific back-up for the records and registers are kept and maintained by designated Department and is retrieved at regular intervals for cross-checking its authenticity, etc.



SIGNATURE  
GLOBAL

## PMLA Policy

### Introduction and Background of AML

SEBI has issued necessary directives vide circulars from time to time, covering issues related to Know Your Client (KYC) norms, Anti-Money Laundering (AML), Client Due Diligence (CDD) and Combating Financing of Terrorism (CFT). The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July 2005 by the Department of Revenue, Ministry of Finance, and Government of India.

The Directives given by SEBI are intended for the use primarily by intermediaries registered under Section 12 of the SEBI Act 1992. The overriding principle is that the intermediaries should be able to satisfy themselves that the measures taken by them are adequate, appropriate and abide by the spirit of such measures and the requirements as enshrined in the PMLA. The PMLA has been further amended vide notification dated March 06, 2009 and inter-alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as prescribed in Section 12 A read with Section 24 of the SEBI Act 1992 will now be treated as a scheduled offence under Schedule B of PMLA.

On July 04, 2018 a master circular no SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 consolidating all the requirements/ instructions has been issued by SEBI which supersedes all the earlier circulars. As per the provisions of the Act, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India (SEBI) Act, 1992) shall have to adhere to client account opening procedure and maintain a record of all such transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. Such transactions include:

- a) All cash transactions of the value of more than Rs 10 Lakh or its equivalent in foreign currency.
- b) All series of cash transactions integrally connected to each other which have been valued below Rs 10 Lakh or its equivalent in foreign currency where such series of transactions take place within one calendar month and the aggregate value of such transactions exceeds rupees ten Lakh;
- c) All suspicious transactions whether or not made in cash and including inter-alia credits or debits into from any non monetary account such as demat account, security account maintained by the registered intermediary.

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related ' shall also be considered.

The Guidelines laid down the minimum requirements and it was emphasised that the intermediaries may, according to their requirements, specify additional disclosures to be made by clients to address concerns of Money Laundering and suspicious transactions undertaken by clients.

**The objective of this policy framework is to:**

- a) Create awareness and provide clarity on KYC standards and AML measures.
- b) To have a proper Customer Due Diligence (CDD) process before registering clients.
- c) To monitor/maintain records of all cash transactions of the value of more than Rs.10 lacs.
- d) To maintain records of all series of integrally connected cash transactions within one calendar month.
- e) To monitor and report suspicious transactions.
- f) To discourage and identify money laundering or terrorist financing activities.
- g) To take adequate and appropriate measures to follow the spirit of the PMLA.

**What is Money Laundering?**

Money Laundering may be defined as cleansing of dirty money obtained from legitimate or illegitimate activities including drug trafficking, terrorism, organized crime, fraud and many other crimes with the objective of hiding its source and rendering it in legally usable form. It is any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources. The process of money laundering involves creating a web of financial transactions so as to hide the origin of and true nature of these funds.

This is done in three phases – **Placement Phase, Layering Phase & Integration Phase.**

The first stage in the process is placement. The placement stage involves the physical movement of currency or other funds derived from illegal activities to a place or into a form that is less suspicious to law enforcement authorities and more convenient to the criminal. The proceeds are introduced into traditional or non-traditional financial institutions or into the retail economy.

The second stage is layering. The layering stage involves the separation of proceeds from their illegal source by using multiple complex financial transactions (e.g., wire transfers, monetary instruments) to obscure the audit trail and hide the proceeds.

The third stage in the money laundering process is integration. During the integration stage, illegal proceeds are converted into apparently legitimate business earnings through normal financial or commercial operations. Having identified these stages money laundering process, financial institutions are required to adopt procedures to guard against and report suspicious transactions that occur in any stage.

**Financial Intelligence Unit (FIU) – INDIA**

The government of India set up Financial Intelligence Unit (FIU-INDIA) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister. FIU-INDIA has been established as the central national agency responsible for receiving, processing, analysing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordination and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

**Policies and Procedures to combat Money Laundering and Terrorist Financing**

Signatureglobal Comtrade (SGCPL) has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame work for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to FIU as per the guidelines of PMLA Rules, 2002. Further, member shall regularly review the policies and procedures on PMLA and Terrorist Financing to ensure their effectiveness

**Obligation to establish policies and procedures:**

Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities / commodities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that all intermediaries ensure the fulfilment of the aforementioned obligations.

To be in compliance with these obligations, the senior management of SGCPL shall be fully committed to establishing appropriate policies and procedures for the prevention of Money Laundering and Terrorist Financing and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The Registered Intermediaries shall:

- (a) Issue a statement of policies and procedures, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements;
- (b) Ensure that the content of these Directives are understood by all staff members;
- (c) Regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures;
- (d) Adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF;
- (e) Undertake client due diligence (“CDD”) measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction;
- (f) Have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- (g) Develop staff members’ awareness and vigilance to guard against ML and TF.

**Policies and procedures to combat ML shall cover:**

- Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities / commodities transactions, money and client records etc. whether in branches, departments or subsidiaries;
- Client acceptance policy and client due diligence measures, including requirements for proper identification, Maintenance of records;
- Compliance with relevant statutory and regulatory requirements;

- Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and
- Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization

### **Applicability & Vision towards AML:**

Signatureglobal Comtrade (SGC) has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002 and as prescribed by SEBI vide its Circular No. SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated July 04, 2018.

SGCPL does not deal in cash, hence the requirement of maintaining record of cash transaction in excess of Rs.10 Lakh is ruled out.

For suspicious transactions whether or not made in cash, we observe the trading pattern of the client on difference criteria like quality of scrip, market participation, Income & Networth, funds received, trading behaviour etc.

Compliance team review & update AML policy on time to time based on the circular issued by regulator in consultation with Principal Officer.

These policies and procedures apply to all employees of Signatureglobal Securities (SGCPL) and all its subsidiaries and are to be read in conjunction with the existing guidelines. The following procedures have been established to ensure that all employees know the identity of their customers and take appropriate steps to combat money laundering.

### **Written Anti Money Laundering Procedures**

SGCPL has adopted these written procedures to implement the anti- money laundering provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following three specific parameters which are related to the overall '**Client due Diligence Process**':

- a) Policy for acceptance of clients
- b) Procedure for identifying the clients
- c) Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR).

### **Client Due Diligence (CDD)**

#### **The CDD measures comprise the following:**

a) Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

b) Verify the client's identity using reliable, independent source documents, data or information

c) Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted.

**Understand the ownership and control structure of the client;** The client identification criteria to be followed for various categories of non-individual as per SEBI Circular dated Jan 24, 2013 ; CIR/MIRSD/2/2013 is given below :

In case of Company, Partnership or Unincorporated Association/Body of Individuals, the Intermediary:

Signature Global Securities (SGCPL) shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

a. The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

**Explanation:** Controlling ownership interest means ownership of/entitlement to:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

b. In cases where there exists doubt under clause (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

**Explanation:** Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

c. Where no natural person is identified under clauses (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official.

**In case client is a trust:**

SGCPL shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

**Exemption in case of listed companies:**

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such Companies.

**In case client is foreign investors:**

For the purpose of identification of beneficial ownership of the foreign investors' viz., Foreign Institutional Investors, SGCPL shall identify beneficial owners with shareholding or beneficial interest in the client equal to or above 25%. If Global Custodian /Local Custodian provide an undertaking to submit these details, then SGCPL shall take such undertaking only. In this context SGCPL shall rely on the clarifications issued by SEBI vide its circular CIR/MIRSD/11/2012 dated September 5, 2012 & CIR/MIRSD/ 07/ 2013 dated September 12, 2013. The compliance of the aforementioned provision on identification of beneficial ownership shall be monitored by the senior management of SGCPL.

d) Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted corroborating the information provided in relation to (c);

e) Understand the ownership and control structure of the client.

f) Conduct ongoing due diligence and scrutiny, i.e. perform on going scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds.

g) Annually update all documents, data or information of all clients & beneficial owners collected under CDD process provided the client provide the information.

*The compliance of the aforementioned provision on identification of beneficial ownership shall be monitored by the Board of Directors of SGCPL.*

**The Customer due Diligence Process includes three specific parameters:**

- a. Policy for Acceptance of Clients
- b. Client Identification Procedure
- c. Suspicious Transactions identification & reporting

**Customer Acceptance Policy:**

Having sufficient information about the customer and making use of that information is the most efficient tool used to counter the efforts of laundering the proceeds of crime. In addition to minimizing the risk of being used for illicit activities, adequate KYC information provides protection against fraud, and enables suspicious activity to be recognized, consequently protecting the Company from reputation and financial risks. In a nutshell, the following safeguards will be followed while accepting the clients:

- ⑤ No account is opened in a fictitious / benami name or on an anonymous basis.
- ⑤ Ensure that an account is not opened where SGCPPL is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to SGCPPL is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. SGCPPL shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. SGCPPL shall be cautious to ensure that we do not return securities of money that may be from suspicious trades. However, SGCPPL shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.
- ⑤ Verify and Validate circumstances under which the client is permitted to act on behalf of another person/ entity are clearly laid down. It is specified in what manner the account should be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/ value and other appropriate details. Further the rights and responsibilities of both the persons (i.e. the agent client registered with SGCPPL as well as the person on whose behalf the agent is acting is clearly laid down). Adequate verification of a person's authority to act on behalf the client is also carried out.

### **Each client should be met in person:**

- ⑤ We ensure that the existing guidelines regarding Customer/business acceptance is strictly followed. Existing /past relationship with the client should be verified and ensure that the client is not on the negative list/defaulters list.
- ⑤ Accept client whom we are able to meet personally either the client should visit the office / branch (if any) or concerned official may visit the client at his residence / office address to get the necessary documents filled and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client or it is known to any employee or director of the company.
- ⑤ In case of accounts are opened in the name of NRI. (If the company cannot personally verify the NRI Client), the company / KYC team shall ensure the photocopies of all the KYC documents/ Proofs and PAN Card are attested by Indian Embassy or Consulate General in the country where the NRI resides. The attesting authority affixes a "Verified with Originals" stamp on the said documents. The photocopies of the KYC documents and PAN Card should be sign by NRI. If the NRI comes in person to open the account, the above attestation are required may be waived.
- ⑤ Detailed search to be carried out to find that the Client is not in defaulters / negative list of regulators. (Search should invariably be carried out on SEBI website [www.sebi.gov.in](http://www.sebi.gov.in), CIBIL website [www.cibil.com](http://www.cibil.com) and Ministry of Company Affairs sponsored website [www.watchoutinvestors.com](http://www.watchoutinvestors.com). etc.)

### **Accepts client on whom we are able to apply appropriate KYC Procedures:**

Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without



any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and relative exchanges are obtained and verified.

**Do not accept clients with identity matching persons known to have criminal background:**

Check whether the client's identity matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement / regulatory agency worldwide.

**KYC team shall check following sites before admitting any person as client:**

- 🌐 [http://www.un.org/sc/committees/1267/ag\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/ag_sanctions_list.shtml)
- 🌐 <http://www.un.org/sc/committees/1988/list.shtml>
- 🌐 [www.sebi.gov.in](http://www.sebi.gov.in) : for prosecution database and vanishing companies' database.
- 🌐 [www.fatf-gafi.org](http://www.fatf-gafi.org)
- 🌐 [www.watchoutinvestor.com](http://www.watchoutinvestor.com)

**Be careful while accepting Clients of Special category:**

We should be careful while accepting clients of special category like:

- a. Non-Resident clients
  - b. High net-worth clients,
  - c. Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations.
  - d. Companies having close family shareholdings or beneficial ownership
  - e. Politically Exposed Persons (PEP) Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP as contained in the subsequent para's of this circular shall also be applied to the accounts of the family members or close relatives of PEPs.
  - f. Companies offering foreign exchange offerings
  - g. Clients in high risk countries (like Libya, Pakistan, and Afghanistan etc.) where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the following –Havens / sponsors of international terrorism, offshore financial centres, tax havens, countries where fraud is highly prevalent.
  - h. Non face to face clients
  - i. Clients with dubious reputation as per public information available etc.
  - j. persons of foreign origin, companies having closed shareholding / ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, -
  - k. Current/Former Head of State, Current / Former senior high profile politician, - Or clients from high risk countries
  - l. Clients belonging to countries where corruption / fraud level is high (like Nigeria, Burma etc.)
- Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category. Client of special category should be categorized as high risk client. Member shall closely examine the transaction in order to ensure they are consistent with Client business and risk profile. In case of High

risk category due care and caution should be exercised at the acceptance stage itself. The profile of Clients has to be updated regularly.

**Do not accept client registration forms which are suspected to be fictitious:**

Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis. The employees shall follow the applicable SEBI/Exchanges/Depositories guidelines.

**General precautions:**

- 📌 Do not accept client registration forms which are suspected to be fictitious.
- 📌 Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
- 📌 **Do not compromise on submission of mandatory information/documents.:** Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Accounts where the client refuses to provide information/documents should not be opened. We shall capture data of key person like director & shareholder of all non-individual clients & also taking complete details/documents of Director/ Trustee/ Partners etc mandatory while opening the account. In case of corporate client in order to identify client with cross holding, we capture key person data like details of director, share holder.
- 📌 Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines.
- 📌 Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.
- 📌 Client of Special Category should be categorized as high risk client.
- 📌 The Company/employees shall closely examine the transaction in order to ensure that they are consistent with Client business and risk profile.

**Risk parameters**

The following factors shall be taken into account while assessing risk or monitoring suspicious transactions:

- a) Country of residence / registered office of the Client;
- b) Nature of business
- c) Trading turnover;
- d) Manner of making payments for transactions; and
- e) Clients with dubious reputation or a criminal or political record as per public information available.

The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

**Customer Identification Procedure:**

**Objective:** To have a mechanism in place to establish identity of the client along with valid proof of address to prevent opening of any account which is fictitious / benami / anonymous in nature.

Identity generally means a set of attributes which together uniquely identify a natural or legal person. For example, an individual's identity comprises his/her name including all other names used, the residential address at which he/she can be located and his/her photograph.

Date of birth is also important as an identifier in support of the name and is essential to law enforcement agencies in an investigation.

### **Whose Identity should be verified?**

Identification evidence should usually be verified for:

The named account holder(s) / the person in whose name an investment is registered;

Any principal beneficial owner of funds being invested who is not the account holder or named investor;

e.g. no account should be opened by X for the benefit of Y. Account in the name of wife/kids for the benefit of husband/father may or may not be operated by later.

The failure or refusal by an applicant to provide satisfactory identification evidence within a reasonable time scale and without adequate explanation may lead to a suspicion that the depositor or investor is engaged in money laundering.

### **Possible indication of Suspicion:**

#### **Identity of client**

1. False identification documents
2. Identification documents which could not be verified within reasonable time
3. Non face to face client
4. Clients in high risk jurisdiction
5. Doubt over the real beneficiary of the account
6. Accounts opened with names very close to other established business entities
7. Receipt back of well come kit undelivered at the address given by the client
8. Bounced communication
9. Frequent change of name, address and bank and demat account details.

#### **Suspicious Background**

1. Suspicious backgrounds or links with criminals

#### **Multiple Accounts**

1. Large number of accounts having common parameters such as
2. Common partners / directors / promoters / address / email address /telephone numbers, introducer or authorized signatory
3. Unexplained transfers between such multiple accounts.

#### **Activity in Accounts**

1. Unusual activity compared to past transactions
2. Use of different accounts by client alternatively
3. Sudden activity in dormant accounts
4. Activity inconsistent with what would be expected from declared income of Client.

#### **Nature of Transactions**

1. Unusual or unjustified complexity > No economic rationale
2. Source of funds is doubtful
3. Appears to be case of insider trading
4. Purchases made on own account transferred to a third party through an off market transactions through DP account
5. Transactions reflect likely market manipulations
6. Suspicious off market transactions

#### **Identification Procedures: General Principles (KYC)**

The Company shall establish to its satisfaction that they are dealing with an individual or an entity and obtain identification evidence sufficient to establish that the applicant is that individual or entity.

- a. Before opening the accounts, there should have to be a personal interaction with the client except in the case of NRIs where the power of attorney holder is the Authorised dealer Bank.
- b. Before opening the accounts in case of companies any one of the following viz main promoter/ Managing Director/ whole time director / key management person and in the case of partnership any one of the active partners should be met in person.
- c. Caution is to be exercised when identifying companies which appear to be 'shell companies' or 'front companies'. Shell/front companies are legal entities which have no business substance in their own right but through which financial transactions may be conducted.
- d. In case of clients acting through Power of Attorneys the Principal and agent should come in person for the first time, except where the client is a NRI and the designated branch of the Authorised Dealer Bank is holding the power of attorney. Photos of both to be obtained along with signatures on the photos. The KYC Form, Agreement and the Disclosure Document must compulsorily be signed by the Client himself and not by the POA holder except in case of NRI\* clients if the POA holder is the designated branch of the authorized dealer.
- e. Original of un-expired Photo identity of individual/promoter/director to be verified by our official for identifying the client. Signature of the persons should be obtained on the photos. Photocopy of the proof should be taken by our official who should also certify thereon about having verified with the unexpired original.

#### **Documents which can be relied upon:**

##### **PAN Card:**

PAN Card is mandatory and is most reliable document as it is unique to each individual and is valid for the life time of the holder and we can independently check its genuineness through IT Websites.

##### **Identity Proof:**

PAN Card itself can be served as proof of Identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter's identity card, Passport, Ration Card or any Government / PSU / Bank issued photo identity card / Aadhaar Card.

**Address Proof:**

For Valid address proof, we can rely on Voter's Identity Card, Passport, Bank Statement, Aadhaar Card, Ration Card and latest Electricity / telephone bill in the name of the client. The utility bill should be not more than three months old while entering in to relationship with the clients.

**Documents required for accepting Clients as per Rule 9 of the Prevention of Money-laundering.**

**Documents to be obtained as part of customer identification procedure for new clients (un expired Original should be verified):**

**A. Proof of Identity (POI): - List of documents admissible as Proof of Identity:**

- 📄 Unique Identification Number (UID) (Aadhaar)
- 📄 Passport
- 📄 Voter ID card
- 📄 Driving license
- 📄 Identity card/ document with applicant's Photo, issued by any of the following:
  - 📄 Central/State Government and its Departments, Statutory/Regulatory Authorities,
  - 📄 Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions,
  - 📄 Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/Debit cards issued by Banks

**B. Proof of Address (POA): - List of documents admissible as Proof of Address:  
(\*Documents having an expiry date should be valid on the date of submission.)**


- 📄 Unique Identification Number (UID) (Aadhaar)
- 📄 Passport
- 📄 Voters Identity Card
- 📄 Ration Card
- 📄 Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance Copy.
- 📄 Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill - Not more than 3 months old.
- 📄 Bank Account Statement/Passbook -- Not more than 3 months old.
- 📄 Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
- 📄 Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-operative Bank/Multinational Foreign Banks/Gazetted Officer/Notary public/elected representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.
- 📄 Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled

## Internal Policies & Guidance Note: Signature Global Comtrade

Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.

- For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or apostiled or consularised) that gives the registered address should be taken.
- The proof of address in the name of the spouse may be accepted.

In case of Non-Individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:

Types of entity	Documentary requirements
<p><b>Corporate</b></p> 	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year).</li> <li>• Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations.</li> <li>• Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly.</li> <li>• Copies of the Memorandum and Articles of Association and certificate of incorporation.</li> <li>• Copy of the Board Resolution for investment in securities / commodities market.</li> <li>• Authorised signatories list with specimen signatures.</li> </ul>
<p><b>Partnership firm</b></p>	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Certificate of registration (for registered partnership firms only)</li> <li>• Copy of partnership deed.</li> <li>• Authorised signatories list with specimen signatures.</li> <li>• Photograph, POI, POA, PAN of Partners.</li> </ul>
<p><b>Trust</b></p>	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> </ul>

## Internal Policies & Guidance Note: Signature Global Comtrade

	<ul style="list-style-type: none"> <li>• Certificate of registration (for registered trust only).</li> <li>• Copy of Trust deed.</li> <li>• List of trustees certified by managing trustees/CA.</li> <li>• Photograph, POI, POA, PAN of Trustees.</li> </ul>
<b>HUF</b>	<ul style="list-style-type: none"> <li>• PAN of HUF.</li> <li>• Deed of declaration of HUF/ List of coparceners.</li> <li>• Bank pass-book/bank statement in the name of HUF.</li> <li>• Photograph, POI, POA, PAN of Karta.</li> </ul>
<b>Unincorporated Association or a Body of Individuals</b>	<ul style="list-style-type: none"> <li>• Proof of Existence/Constitution document.</li> <li>• Resolution of the managing body &amp; Power of Attorney granted to transact business on its behalf.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
<b>Banks/Institutional Investors</b>	<ul style="list-style-type: none"> <li>• Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
<b>Foreign Institutional Investors</b>	<ul style="list-style-type: none"> <li>• Copy of SEBI registration certificate.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
<b>Army/Government Bodies</b>	<ul style="list-style-type: none"> <li>• Self-certification on letterhead.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
<b>Registered Society</b>	<ul style="list-style-type: none"> <li>• Copy of Registration Certificate under Societies Registration Act.</li> <li>• List of Managing Committee members.</li> <li>• Committee resolution for persons authorised to act as authorised signatories with specimen signatures.</li> <li>• True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.</li> </ul>

### List of people authorized to attest the documents:

- Notary Public, Gazetted Officer, Manager of a Scheduled Commercial/ Co-operative Bank or Multinational Foreign Banks (Name, Designation & Seal should be affixed on the copy).
- In case of NRIs, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy /Consulate General in the country where the client resides are permitted to attest the documents.

- 🌐 In case of an NRI account – Repatriable / non-repatriable, the following documents are required: For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card and overseas address proof is mandatory.
- 🌐 In the case of joint account, the above procedure should be carried out for all the persons who hold the joint account.

### **Other Due Diligence:**

- 🌐 When individual client account opening form is received, all requirements under CKYC and KRA shall be completed.
- 🌐 When non-individual client account opening form is received, all requirements under KRA shall be completed. As and when CKYC starts accepting non-individual clients, CKYCR process shall be completed even for non-individual clients.
- 🌐 SGCPPL will use the Permanent Account number (PAN) allotted by the Indian Income Tax Department as the main identifier for the identity of all individuals. The PAN as provided shall be independently verified from the Income Tax Database/ databases of other entities authorised by the Income Tax department.
- 🌐 All processes like in-person verification, verification of copies against originals, and all other requirements of KRA and CKYC shall be met at all times by SGCPPL diligently.

A public database search of the individual (in case of individual clients) and beneficial owners/ senior management in case of non-individuals clients shall be conducted at the following places:

- 🌐 PAN number search on Google
- 🌐 Search on Stock exchange provided lists
- 🌐 Search on whatchoutinvestors.com
- 🌐 Search on UN databases
- 🌐 Search in any other commercial database that SGCPPL may subscribe to

The search shall ensure that identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.

If any alerts are generated during the search, then matter shall be escalated to Principal Officer to take a decision whether to open the account or not.

Income and Networth details shall be taken for all clients on a self declaration basis. In case of clients trading on derivatives, documentary evidence of financial details as prescribed under SEBI Circular MIRSD/SE/Cir-19/2009 dated 03-Dec-2009 as modified/ updated/ reissued shall be taken.

Where the above details are not available, the account shall not be opened.

### **Ongoing due diligence:**

- We shall conduct periodic due diligence and scrutiny of client's transaction and accounts to ensure that transactions are being conducted in knowledge, to find out the risk profile, source of funds, etc. At regular interval, ongoing due diligence and scrutiny needs to be conducted i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the



Organization's knowledge of the client, its business and risk profile, taking into account, where necessary, the customer's source of funds.

- Update the details of the client like address, contact number, demat details, bank details etc. In case, at any point of time, we are not able to contact the client either at the address or on the phone number, contact the introducer and try to find out alternative contact details.
- Scrutinize minutely the records / documents pertaining to clients of special category.
- The list of FAFT countries is also updated on an ongoing basis to ensure that clients covered under the high risk countries as per the FATF list are not allowed to open accounts through the Company

### **Member may rely on a third party for the purpose of:**

1. Identification and verification of the identity of a client &
2. Determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitor for, and have measures in place for compliance with CDD and record keeping requirement in line with the obligations under the PML Act.
3. Such reliance shall be subject to the conditions that are specified in rule 9 (2) of the PML Rules and shall be in accordance with the regulation and circulars / Guidelines issued by SEBI from time to time. Further, it is clarified that we shall be ultimately responsible for CDD and undertaking enhanced due diligence measures as applicable. (SEBI Circular CIR/MISRD/1/2014dated 12.03.2014).

### **Identification Procedures:**

**SGCPL shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):**

- a) SGCPL shall proactively put in place appropriate risk management systems to determine whether its existing client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs. Further, the enhanced CDD measures as outlined in SEBI Circular shall also be applicable where the beneficial owner of a client is PEP.
- b) Senior management approval would be obtained for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, SGCPL shall obtain approval from Principal officer/Designated Director to continue the business relationship.
- c) SGCPL shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- d) The client shall be identified by SGCPL by using reliable sources including documents / information. SGCPL shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

e) The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by SGCPCL in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.

f) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority (Principal Officer).

SEBI has prescribed the minimum requirements relating to KYC for certain classes of registered intermediaries from time to time. SGCPCL shall frame its own internal directives based on its experience in dealing with its clients and legal requirements as per the established practices. Further, the SGCPCL shall conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued there under so that the intermediary is aware of the clients on whose behalf it is dealing.

SGCPCL shall formulate and implement a CIP which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients.

It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to SGCPCL from obtaining the minimum information/ documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by registered intermediaries. This shall be strictly implemented by all intermediaries and non-compliance shall attract appropriate sanctions.

#### **Money Laundering risk assessments**

Risk assessment on money laundering is dependent on kind of customers the Company deals with. Typically, risks are increased if the money launderer can hide behind corporate structures such as limited companies, offshore trusts, special purpose vehicles and nominee arrangements.

The Risk Assessment is required in order to assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients etc.

The risk assessment shall also take into account any country specific information that is circulated by the government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations Security Resolutions at:

[http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml)

<http://www.un.org/sc/committees/1988/list.shtml>

### **Risk classification**

The level of Money Laundering (ML) risks that the Company is exposed to by an investor relationship depends on:

1. Type of the customer and nature of business
2. Type of product/service availed by the customer
3. Country where the Customer is domiciled

Based on the above criteria, the customers may be classified into three Money laundering relationship depends on:

The guidelines define certain minimum standards of account documentation for all new customer relationships, to enable the Company to understand the nature of the customer's business, carry evidence of key data regarding the customer and its principal owners/ signatories and understand the type and level of activity that is to be considered as normal in the customer's account Customers may be classified in the following risk categories.

#### **(i) High Risk**

In addition to client defined in special category following clients are classified as high risk, provided their transaction value exceeds Rs. 1 Crore

- a) Non resident clients
- b) High Net-worth clients
- c) Trust, Charities, NGOs and organizations receiving donations
- d) Unlisted Companies
- e) Companies having close family shareholding and beneficial ownership
- f) Politically exposed persons (PEP): Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country eg.: Senior politicians, Heads of States of Government, senior government, /judicial/military/officials.)
- g) Clients who have defaulted in the past, have suspicious background and do not have any financial status.
- h) Companies offering foreign exchange
- i) Clients in high risk countries: (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, where there is unusual banking secrecy, countries active in narcotics production countries where corruption (as per transparency international corruption index) is highly prevalent. Countries against which government sanctions are applied. Countries reputed to be any of the following — Havens/ sponsors of international terrorism, offshore financial centers, tax havens, Countries where fraud is highly prevalent.
- j) Clients with dubious reputation as per public information available etc.
- k) Non face to face Clients.

It should be to determine whether existing / potential customer is a PEP. Such procedures would include seeking additional information from clients. Further approval of senior management is required for — establishment business relationships with PEP & to continue the business relationship with PEP.

All transaction of Clients identified as High Risk Category should be put to counter measures. These measures may include further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of transactions and applying enhanced due diligence.

**(ii) Medium Risk**

Client defined in above category having transaction value below 10 Lacs and those Clients who are mostly intra-day Clients or speculative Clients. Further based on business directive the clients who maintain running account continuously with the company may also be categorized as Medium risk clients as case to case basis.

**(iii) Low Risk**

Clients those pose Nil or low risk. They are Individuals/Corporate/HNIs who have respectable social and financial standing. These are the Clients who make a payment on time and take delivery of shares.

The low risk provisions should not apply when there are suspicions of Money Laundering / Financing Terrorism (ML/FT) or when other factors give rise to belief that the customer does not in fact pose a low risk.

Irrespective of the definition / criteria cited above, SGCPL, on the basis of various aspects such as transaction volume, pattern of investment, scrip selection, regularity in payments etc., may change / revise the categorisation of a particular / set of customers.

An assessment should be made of the financial worthiness of the client by obtaining appropriate declarations at KYC stage. This information should be subsequently used for monitoring whether the transactions of the clients are within the declared means and if the value of the transactions is increasing the client should be asked to disclose the increasing sources.

**Treatment of Accounts of Clients of Special Category:**

**1. NRI:** While opening NRI account utmost care should be exercised. While opening an NRI Repatriable or NRI Non Repatriable inter alia, following documents should be collected from the clients:

**NRI Repatriable/Non Repatriable**

1. PAN Card Copy
2. Passport Copy
3. Indian Address Proof
4. Cancelled Cheque copy of NRE A/c
5. PIS Permission issued from RBI.
6. NRI Address Proof
7. Bank Statement Copy.
8. Client Master Copy for demat account.
9. Tax Residency proof

**2. High Networth Clients:** High Networth clients could be classified as such if at the account opening stage or during the course of the relationship, it is realized that the client's investments or the appetite for investment is high.

**3. Trust, Charity and NGOs:** Both public as well private, registered as well un-registered trust will have to be classified in the Special Category. Any Charitable or Nongovernmental organization or a Non Profit Organization will be also classified herein.

**4 Close family shareholdings or Beneficial Ownership:** In case of close family shareholdings the objective is to understand whether the beneficiaries of two or more accounts, which may also be opened at different times, are same, and then both need to be marked under this special category.

**5. Politically Exposed Persons:** In case of PEPs, the account should be opened only after consent of the senior management and all the required documents are collected and client should be marked as PEP in records. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, registered intermediaries shall obtain senior management approval to continue the business relationship. **SGCPL** shall verify the sources of funds of the PEP by obtaining bank statements from time to time.

**6. Company offering foreign Exchanges:** At the account opening stage if the individual or the entity is registered foreign exchange dealer, then the same may be categorized.

**7. Client in High Risk Country:** No accounts shall be opened if received from a client who was residing in a high risk jurisdiction and may have investment proceeds which may have also originated from these countries. The list may be obtained from the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website ([www.fatf-gafi.org](http://www.fatf-gafi.org)).

**8. Client with dubious Public Reputation:** If a client's reputation during the opening of the account or post opening the account is known to be not good, then the same is marked in this special category

The above mentioned list is only illustrative and the **SGCPL** shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.

### **Record keeping requirements**

We shall ensure compliance with the record keeping requirements contained in the, SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

All documents & records which are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour shall be maintained.

If there is any laundered money or terrorist property, we shall retain the following information for the accounts of clients in order to maintain a satisfactory audit trail to facilitate the investigating authorities: a ) the beneficial owner of the account b ) the volume of the funds flowing through the account; and c) for selected transactions: the origin of the funds; the form in which the funds were offered or

withdrawn, e.g. cheques, demand drafts etc. the identity of the person undertaking the transaction; the destination of the funds; the form of instruction and authority.

Ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they should retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

In case of transactions where any investigations by any authority has been commenced and in the case of transactions which have been the subject of suspicious transaction reporting all the records shall be maintained till the authority informs of closure of the case. More specifically, Member has put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- a) All cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- b) all series of cash transactions integrally connected to each other which have been individually valued below rupees ten Lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;
- c) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- d) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

#### **Information to be maintained**

We shall maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

- a) The nature of the transactions;
- b) The amount of the transaction and the currency in which it is denominated;
- c) The date on which the transaction was conducted; and
- d) The parties to the transaction.

#### **Retention of Records**

- a) Maintenance of records pertaining to transactions of clients is preserved in a manner that allows easy and quick retrieval of data as and when requested by competent authority, for a period of Eight years.
- b) Records evidencing the identity of clients and beneficial owners as well as account files and business correspondence shall maintained and preserved for a Eight years after the business relationship between a client and Member has ended or the account has been closed whichever is later. In situations where the on-going investigations or transactions which have been subject

of a suspicious transactions reporting, they shall be retained until it is confirmed that the case has been closed.

- c) Member shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported **to the Director, FIU-IND**, as required under Rules 7 & 8 of the PML Rules, for a period of Eight years from the date of the transactions between the client and the intermediary.
- d) Further, the records mentioned in Rule 3 of PMLA Rules have to be maintained and preserved for a period of Eight years from the date of transactions between the client and intermediary.
- e) The intermediary shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transaction of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to **the Director, FIU-IND**. Suspicious transactions shall also be regularly reported to the higher authorities within the intermediary.

#### **Monitoring of transactions:**

Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. This is possible only if we have an understanding of the normal activity of the client so that they can identify the deviant transactions / activities.

We shall pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. We may specify internal threshold limits for each class of client accounts and pay special attention to the transaction which exceeds the prescribed limits. We shall review internal alerts if any and also monitor the alerts provided by the exchanges/depository.

We should ensure a record of transaction is preserved and maintained in terms of section 12 of the Act and that transaction of suspicious nature or any other transaction notified under section 12 of the Act is reported to the appropriate law authority. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.

Further our compliance cell should examine a selection of transaction undertaken by clients to comment on their nature through Whistle Blower Policy i.e. whether they seems to be a suspicious transactions or not.

#### **Suspicious Transactions**

We shall analyse and furnish details of suspicious transactions, whether or not made in cash Suspicious transactions shall also be regularly reported to the higher authorities within the intermediary. Intermediaries shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting. It should be ensured that there is no undue delay in analysis and arriving at a conclusion. While determining suspicious transactions, intermediaries shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time. Indicative types of Suspicious Transactions, Abandoned Transactions, TAT for reporting Suspicious Transactions and additional due diligence for transactions from clients from high risk countries are also given in the FMC / SEBI circular.

Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or

appears to be made in circumstance of unusual or unjustified complexity; or appears to have no economic rationale or bonafide purpose.

### **Reasons for Suspicious:**

#### **Identity of client**

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Clients in high-risk jurisdiction
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities
- Receipt back of welcome kit undelivered at the address given by the client
- Suspicious background or links with criminals

#### **Multiple Accounts**

- Large number of accounts having a common parameters such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory
- Unexplained transfers between such multiple accounts.

#### **Activity in Accounts**

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively for fund

#### **Nature of Transactions**

- No economic rationale or bonafide purpose
- Source of funds is doubtful

#### **Value of Transactions**

- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client.
- Client trading pattern
- trading in illiquid scrip
- concentration in one scrip if any,
- payment track record ,
- Client turnover Vs Exchange turnover.
- Synchronised trading.
- Client Purchase to his income/ Net worth
- Whether any off-market transfers are taking place from our Demat account to other Demat accounts.



**Policy on Identifying and Reporting suspicious transactions:**

The Compliance/Principle Officer for any suspicious transactions will scrutinize transactions filtered out of the following filters in detail. As the Business dynamics are very varied and complex, defining transaction types for reporting will not be undertaken at this juncture (all CTRs & STRs). Having said that, the Principal Officer will review all the transactions thrown out by the filters and decides on a case-to-case basis to report to FIU with in stipulated time with complete details.

These filters will be reviewed regularly for any updations and modifications to make the system more robust and effective.

1. Payment for client's withdrawal will be only through cheque. No cash payments to be entertained under any circumstances.
2. All third party cheques to the credit of clients account irrespective of the amount.
3. All payment made either by way of Demand Draft / Cheques / Money Transfer/Funds Transfer in foreign currencies irrespective of the amount. In case of DD it should be accompanied by the letter of bank in case of some unavoidable situation.

***What to Report:***

1. The nature of the transactions
2. The amount of the transaction and the currency in which it was denominated
3. The date on which the transaction was conducted
4. The parties to the transaction
5. The reason of suspicion.

**List of Designated Individuals/ Entities:**

Verification and denial in taking the person as a client if the person is in updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) from the website <http://www.un.org/sc/committees/1267/consolist.shtml>. SGCPPL shall ensure that accounts are not opened in the name of anyone whose name appears in said list. SGCPPL shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU-IND.

**Procedure for Freezing**

Under the Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA) Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously.

In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND and on receipt of this information after verification, SGCPPL shall act immediately on the same.

**Reporting to Financial Intelligence Unit-India:**

In terms of the PML Rules, SGCPPL is required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

**Director, FIU-IND,  
Financial Intelligence Unit-India,  
6th Floor, Hotel Samrat,  
Chanakyapuri,  
New Delhi-110021.  
Website: <http://fiuindia.gov.in>**

SGCPPL shall carefully go through all the reporting requirements and formats that are available on the website of FIU – IND under the Section Obligation of Reporting Entity – Furnishing Information – Reporting Format ([https://fiuindia.gov.in/files/downloads/Filing\\_Information.html](https://fiuindia.gov.in/files/downloads/Filing_Information.html)). These documents contain detailed directives on the compilation and manner/procedure of submission of the reports to FIU-IND. The related hardware and technical requirement for preparing reports, the related data files and data structures thereof are also detailed in these documents While detailed instructions for filing all types of reports are given in the instructions part of the related formats, SGCPPL shall adhere to the following:

- a) The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- b) The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.
- c) The Non Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- d) The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
- e) Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.
- f) No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non – profit organization transactions to be reported.

**No Tipping Off**

An important element to the success of the AML process is that the customers should not be informed (i.e. tipped off) that his/her accounts are being monitored for suspicious activities and / or that a disclosure has been made to the designated authority namely Financial Intelligence Unit, India. (FIU-IND)

The company can however make normal enquiries to learn more about the transaction or instruction to determine whether the activities of the customer arouse suspicion.

Where it is known or suspected that a suspicion report has already been made internally or externally, and it then becomes necessary to make further enquiries, care must be taken to ensure that the suspicion is not disclosed either to the client or to any other third party. Such enquiries shall normally be made as directed by the Principal Officer.

"Tipping Off" provisions extended not only to the filling of the STR and/or related information but even before, during and after the submission of STR.

### **The Role of the Principal Officer (PO)**

Mr. Deepender Aggarwal is the Principal Officer of Signature Global Comtrade Private Limited.

The PO is responsible for:

- 1) Receiving internal suspicious activity report
- 2) Taking reasonable steps to access any relevant KYC information on concerned parties
- 3) Making external report as required
- 4) Obtaining and using national and international findings concerning countries with inadequacies in their approach to money laundering prevention
- 5) Taking reasonable steps to establish and maintain adequate arrangements for awareness creation and staff training.

The Principal Officer, or any other person to whom the Principal Officer's duties have been delegated, shall have access to any information of the customer or transaction(s).

The Principal Officer shall have access to and be able to report to senior management above his/her next reporting level or the Board of Directors.

### **Appointment of Designated Director**

As per SEBI circular No. CIR/MIRSD/1/2014 dated March 12, 2014, we have appointed Mr. Ravi Aggarwal as Designated Director of Signature Global Comtrade and the same has been informed to FIU-IND.

### **PMLA POLICY WITH RESPECT TO EMPLOYEES'HIRING/TRAINING & INVESTOR EDUCATION**

#### **Policy on Hiring of key Employees:**

At the time of screening key employees in the Company, the HR personnel should make sure that the key employees must be made aware about the AML/CFT requirement at the time of joining the organization and on such other time as they deem fit to ensure that key employees \* shall perform & discharge their duties efficiently and effectively to combat risk of money laundering which is considered to be a prominent area/aspect in an industry in which the company operates.

***\*Key employees are employees as per the list maintained by HR personnel from time to time.***

#### **Policy on Employees' training:**

The company should have an ongoing employee training programme in terms of following:

Conducting presentations from time to time to create awareness amongst the concerned employees and / or by sharing information over email and / or telephonically.

**Policy on Investor Education:**

With a view to discharge our responsibility in the view of PMLA requirement, the Company should endeavour to do the following:

- Disseminating / spreading the information amongst the investors/clients via different modes.

The PMLA policy of the company is reviewed once in a financial year. In case of regulatory change in between then it is reviewed and updated to comply with the new regulatory order\ guidance within the time frame specified by the regulators.



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