

J. G. Shah Financial Consultants Pvt. Ltd.
Point No. 15 Details of Internal Control

1. Details

- A. Date of starting of Business : - Our company had previously commenced business in 1960 as a capacity of proprietary broking house and converted to Pvt. Ltd. company in 1997, all the partners became directors of the company with 100 % shareholding within the family.
- B. Background of company : - As mention above we are having cliental business since day of our inception and we provide services to small and individual retail investors and having no proprietary trade in our company.

2. Funds

- A. 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.
- B. System & source of pay in and pay out of funds in case of Own trading : - We do not have any own trading of the company however for investment if we may buy the stock in company than we transfer the money from our own a/c bank.
- C. Procedure of margin collection, if any from clients & maintenance of records thereof :- If we collect the margin amount from clients than same we are crediting in clients ledger.
- D. Any funding is done to the clients :- We do not have any system of funding facility to the clients.
- E. Credit / transfer of dividend to the clients / own dividend :- We transfer the dividend to the clients once in a month.
- F. Procedure followed in case of default by client / sub broker's client :- We have retail clientele business so question of default does not arises, however in abnormal circumstances client may make delayed payment than we immediately take action to not execute any future transaction and not to release any shares to client account.
- G. Payment to sub brokers / remisiers :- We pay the commission to Authorise sub brokers and remisiers within 7 days of the end of month.
- H. Any third party transfer of funds? If yes, policy in this regard :- 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.

3. BOLT Terminal

- A. Procedure of accepting & placing order :- The orders are received on telephones, e-mails and from the clients, who attend the office personally. The clients orders are entered in to Bolt System by confirming the balance of the clients in running account. If the transaction is bigger in quantity and amount, then we make it sure of receiving the cheques before pay-in day by observing credential of the clients to fulfill the commitment of the transaction. If clients may give some abnormal rates than reason behind the same is enquired with the clients and if genuine reason is given than only we enter the transaction. We always confirm whether the clients are registered in UCC. If transaction is bigger than the average dealings of client then we make it sure that delivery is lying in the clients account.
- B. Factors determining the trading limit for each terminal / client :- Receiving, validating and entering the orders of clients on the trading platform. The orders are received on telephones, e-mails and from the clients, who attend the office personally. The clients orders are entered in to Bolt System by confirming the balance of the clients in running account. If the transaction is bigger in quantity and amount, than we make it sure of receiving the cheques before pay-in day and observing credential of the clients to fulfill the commitment of the transaction. If clients may give some abnormal rates than reason behind the same is enquired with the clients and if genuine reason is given than only we enter the transaction. We always confirm whether the clients are registered in UCC. If transaction is bigger than the average dealings of client than we make it sure that delivery is lying in the clients account.
- C. Control over operator to ensure that he is entering authorized trades only :- We appoint the Bolt operator whose background is known to us and having good back ground in the business.
- D. System in place to check certification of approved users has not expired :- We have system to check certificate of approved users and has not expired.

4. Contract Notes

A. Whether printing of contract note is centralized? If not, Place from which CN are printed :- Creating of contract note file is centralized, however we have authorized some of the our offices to print the contracts at their end to issue the same to clients within 24 hours. Our contract notes printed from following destination:-

Sr. No.	Name	Address
1.	J. G. Shah Fin.Con.P.Ltd.	418, P. J. Tower, Dalal Street, Fort, Mumbai 400 001.
2.	Abhinav Securities	1, Dwarka, Saraswati Road, Santacruz (W), Mumbai 400054.
3.	Akrutee	807/B, Premium House, BehindHandloom House Ashram Road, Ahmedbad 380 009.
4.	Gayatri Ent.	C/10, Municipal Bldg., Rajmahal Road, Mehsana 384001.
5.	Goradwala Inv.	4, Gopal Krishna Market, Raj Mahal Road Mehsana 384 001.
6.	SRM Investments	16, Ketki Co-Op. Hsg. Society, Vidya Mandir Road, Opp. Krishna Nursing Home, Dahisar (E), Mumbai 400 068.
7.	Zeel Investments	C/317,Kailash Espland opp. Shreyas Cinema, L.B.S. Marg, Ghatkopar (W), Mumbai 400 086.

- a. Procedure for printing CN in case of outstation clients / sub broker clients :- We issue CN to clients through hand delivery, courier and through email.
- b. Basis of numbering :- We have centralizes mechanism of numbering on yearly basis like BW/Sett No./ and year wise.
- c. System for maintaining duplicates & acknowledgement for CN's :- We maintain log file of delivery of contracts to the Clients, however we also print all the physical contract of each client who have traded.

5. Securities

- A. System of pay in and pay out of securities from / to clients :- We accept the sale delivery from the designated account of client and give the direct pay out to the clients who are having D.P. account with us or having no outstanding dues.
- B. Separate Own Beneficiary Account maintained or not :- We have separate own beneficiary account maintained
- C. Separate Client beneficiary account maintained or not :- We have maintained separate client beneficiary account.
- D. Client wise segregation of securities maintained or not :- We are having system of client wise segregation of securities.
- E. Whether Client's securities maintained with Member :- If the transaction of clients may increase then for safety we may collect the securities for safety purpose, some of the cases client may request us to keep the shares with us for future sale.
- F. Procedure for check on Third party security transfer / acceptance :- We do not have any policy to accept / transfer securities to any third party, however in case of any emergency, we may accept request of clients to transfer the shares with specific consent letter.
- G. Policy to ensure that client's securities are not mis-utilised for own purposes or for any other client :- We have system of internal audit to ensure that clients securities are not mis-utilised for own purpose or for any other clients.

6. Introduction / Registration of clients

- A. Basis of accepting as client :- We make sure to obtain the Client Broker Agreement, Risk Disclosure Form and others required documents as per the norms. We see the

credentials of the client and collect his financial information before starting the business.

- B. Procedure for In-person verification of clients and maintenance of proof for the same, specifically in respect of out station and sub-broker clients :- It is our practice to call clients to our office alongwith all the original documents to make personal verification of the client and for out station and sub-brokers client we have appointed staff to verify in-person verification by visiting his place once in a month.
- C. Whether Client Registration Documents (CRD) given to new clients & to existing clients, on demand. Also, whether UCC & email ID communicated to clients on CRD or separate letter, and proof for the above :- Yes
- D. Do you outsource client registration modalities? :- No
- E. Do you entertain walk in clients? If yes, what are risk mitigation measures taken in dealing with such clients :- No
- F. Process of record keeping and retrieval of client registration document:- We have special arrangement in our office to keep client Registration Form in plastic folder in slotted angel in special room. All the forms are preserved sub-broker wise/serial wise more over we have scanned all the copies of the KYC.

7. Internet Trading

- A. Prior Approval taken or not? :- Yes
- B. ITORS agreement entered into with clients or not :- Yes

8. PMLA

- A. Compliance w.r.t Principle Officer and adoption of written policy :- Money Laundering is the attempt to introduce illegally obtained money in the main stream of Banking, and at the same time making it difficult to trace the origin of such monies. Money in the form of cash is deposited in Banks from where they are transferred to different accounts and eventually introduced in legitimate accounts ultimately finding their way into mainstream of banking.

Money laundering is a serious offense in major developed countries and offenses are classified as criminal offences which attract heavy penalties including jail.

The Government of India has taken serious note of this and introduced the Anti Money Laundering Bill in parliament. It has directed SEBI to inform Brokers to appoint a principal

officer who would be responsible for reporting any instances of money laundering.

As advised by SEBI vide its Circular no. ISD/CIR/PR/AML/1/06 dated 18th January 2006 and ISD/CIR/PR/AML/2/06 dated 20th March 2006, to appoint Principal Officer under Money laundering Act 2002, we have appointed Mr. Samir S. Shah Principal Officer. We have forwarded intimation through Registered post at following address :-

Direct, FIU-IND,
Financial Intelligent Unit-India
6th Floor, Hotel Samrat,
Chanakyapuri,
New Delhi 110021

We have adopted written procedures to implement the anti money laundering provisions as envisaged under the Anti Money Laundering Act, 2002. this procedures includes following three specific parameters which are related to the overall '**Client Due Diligence Process**':

1. Policy for acceptance of clients
2. Procedure for identifying the clients
3. Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)

Customer Due Diligence:

A. The Customer due diligence ("CDD") measures comprise the following:

1. Obtaining sufficient information in order to identify persons who beneficially own or control 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 should be identified using client identification and verification procedures. We use this procedure for non individual client such as Pvt. Ltd and Ltd company, Partnership Firm, HUF firm, and NRI 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.

2. Verify the customer's identity using reliable, independent source documents, data or information; While introducing client we collect complete data of our client. We also emphasize that introducer of client is equally responsible as good as client. We do not entertain any client without perfect Reference.
- 3 Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the customer and/or the person on whose behalf a transaction is being conducted; We observe that documents provided by client is true and perfect. We also check that Demat account and Bank account belong to same client and operation is being done through same account.
4. Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted.
5. Conduct ongoing due diligence and scrutiny, i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business. We conduct ongoing due diligence and scrutiny of our client account. Normally, we check client's trading pattern, trading turn over, payment and receipt pattern and updating of KYC documents. If we find a client is irregular in payment or short sell securities, we issue warning to client and stop executing trade for such client.

B. Policy for acceptance of clients:

1. We have developed customer acceptance policies and procedures that aim to identify the types of customers that are likely to pose a higher than the average risk of money laundering. By establishing such policies and procedures, we are in a better position to apply customer due diligence on a risk sensitive basis depending on the type of customer business relationship or transaction.

the following steps are followed while accepting the clients:

- a. No account is opened in a fictitious, benami name or on an anonymous basis.
- b. Factors of risk perception in terms of monitoring transactions of the client are clearly defined having regard to clients' location such as registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading

turnover etc . and manner of making payment for transactions undertaken. These parameters enable us to make classification of clients into average or small clients and High Networth Clients. High Networth Clients require higher degree of due diligence and regular update of KYC profile.

- c. Requirement of Documentation and other information is being collected from clients time to time.
- d. We ensure that the account is not opened, where we do not obtain appropriate clients due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, lack of information provided to us. We do not start business with such a person who does not provide proper details.

C Client Identification procedure:

The Know Your Client (KYC) policy is clearly spelled out for identification of client. In our organization clients are introduced either by Director, promoter and their close friends and relative. Clients are also introduced by our registered sub brokers and Remisiers. We stress more emphasis on reliability of introducer. We obtain adequate information to satisfactorily establish the identity of each new client. We have set two layer cross check system to verify information and data of new client.

D Record Keeping:

The following books of accounts and other records as required under rules 15 of Securities Contract (Regulation) Rules 1957 and Regulation 17(1) of SEBI (Stock Broker and Sub Brokers) Regulation, 1992

1. Register of transaction (sauda book)
2. Clients ledger;
3. General ledger;
4. Journals;
5. Cash book;
6. Bank pass book;
7. Documents register should include particulars of shares and securities received delivered;
8. Member's contract books showing details of all contracts entered into by him with other members of the same exchange

- or counterfoils or duplicates of memos of confirmation issued to such other member;
9. We are keeping the acknowledgement log book of esign contract
 10. Written consent of clients in respect of contracts entered into as principals;
 11. Margin deposit book;
 12. Registers of accounts of sub-brokers;
 13. An agreement with a sub-broker specifying the scope of authority, and responsibilities of the Stock-Broker and such Sub-Broker.

All Books of accounts and records as required under the regulations and showing exchange wise segregation of transactions are being maintained.

E Retention of Records:

We take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of our records and information in a manner that allows easy and quick retrieval of data as and when required. Further, as per the PMLA 2002 Rule 3, the records are to be maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and intermediary.

F Monitoring of transactions:

Regular monitoring of transactions is being done on every day after closing of trading session. We also check clients ledger to check payment pattern. Normally we have established the system of bill to bill payment and receipt. if any bulk deal or big deal is to be executed, in that case we inform to Exchange. We have kept the records of Big deal undertaken by our client. Pay in and pay out of securities are received/delivered from/to clients Bank/demat account only. We have collected copies of clients Bank account statement/copy of cancelled cheques leaf/Bank pass book and copy of Demat client Master/Demat Statement.

G Suspicious Transaction Monitoring & Reporting:

We entertain only reliable client. All our clients are generally buying known and fundamentally strong stocks. We always keep close watch on clients transaction pattern. Normally we do not allow our

client to keep their money or securities after pay out with us unless the specific instruction of the client. We do not allow any cash transaction of our client.

- B. Measure taken with regard to Anti money laundering Act:-
- C. System of keeping a check on volume of trading done by the client is in proportion to his financial details as disclosed in the KYC :
- D. Alerts for the same generated or not? :- Yes
- E. Any suspicious Transaction Report (STR) sent to FIU:- No
- F. Risk categorization of clients :- 95% of our volume is of delivery clients and 5% is of traders, for those client we monitor the transactions daily and we see financial obligation is properly maintained.

9. Execution of POA (Power of Attorney) (if applicable)

- A. Process adopted for execution of POA :- No
- B. Internal control adopted to ensure that POA is not misused :- No

10. Opening and Closing branches

- A. Procedure adopted for opening and closing of branches :- We open branches with the managers who knows trading operation and rules and regulation of the Exchanges and SEBI. The person appointed as a manager is working with due diligence and who has obtained NCFM certificate for the trading of respective exchanges. We have drafted internal policy for opening and closing of branch.
- B. In case of closure of branches, how and when do you communicate existing clients? :- We communicate the clients of the branches through emails of each client and also send letter to the clients with dispatch of monthly account copy.

11. Closure of client accounts / dormant account

- A. What type of documentation (both inward and outward) undertake for closure of account :- At the time of closure of account, we maintain record of informing the clients for

closing of account more over internally we inform the same to our KYC department, Delivery and Demat Department and Account Department.

- B. In case of dormant account (Six Month), what extra caution taken before execution of trade in such account :- We observe the financial credential of the clients by demanding his financial proof.
- C. Procedure adopted in case of very old dormant account (2 years old :- We demand all the proof and personally verify the same.