POLICIES AND PROCEDURES

MI STOCK BROKING PVT LTD

POLICIES AND PROCEDURES

INTRODUCTION

Policies and procedures are a set of documents that describe an organization's policies for operation and the procedures necessary to fulfill the policies. They are often initiated because of some external requirement, such as governmental regulations, Policies and procedures have many names including but not limited to business policies and procedures, standard operating procedures or SOP, or department operating procedures or DOP.

Need For policies & procedures

There are four very basic reasons that necessitate writing policies and procedures

• Operational needs - Policies and procedures ensure that fundamental organizational processes are performed in a consistent way that meets the organization's needs.

• Risk management - Established policies and procedures creates environment that ensures control activity needed to manage risk.

• Continuous improvement - Procedures can improve processes by implementing a Plan-Do-Check-Act approach by building important internal communication practices.

• Compliance - Well-defined and documented processes (i.e. procedures, training materials) along with records that demonstrate process capability can demonstrate an effective internal control system compliant with regulations and standards. All employees of the Company are required to follow the policy and any directions given there under. This Policy and Procedure is a standard document and subject to change or amends time to time as per change in rules & regulation of the SEBI/ Respective Exchanges/ any other Government Authority. MI Stock Broking Pvt. Ltd. have reserved rights to implement amended policy and procedure without amending this documented policy.

October 14, 2010

Udit Agarwal
Whole Time Director
**POLICIES AND PROCEDURES**

1. **CLIENT REGISTRATION**  
   1.1 Acceptance of Clients  
   1.2 Registration of Clients:  
   1.3 Maintenance of Client Registration Document  

2. **ORDER AND TRADE MANAGEMENT**  

3. **SETTLEMENT OF FUND AND SECURITIES**  
   3.1 Fund Pay in/ Out  
   3.2 Securities Pay in/ out  
   3.3 Close Out  
   3.4 Shortage in obligation arising out of internal netting of trades  

4. **CONTRACT NOTE, DAILY MARGIN REPORT & PERIODIC STATEMENTS**  
   4.1 Contract Note  
   4.2 Daily Margin Report  
   4.3 Periodic Statement  

5. **CLOSURE OF CLIENT ACCOUNT.**  

6. **INACTIVE ACCOUNT/ DORMANT ACCOUNT**  
   6.1 Inactive account  
   6.2 Return of client assets  
   6.3 Procedure for re activation of inactive account/ dormant account  

7. **RISK MANAGEMENT POLICY**  
   7.1 Margin Collection  
   7.2 Monitoring Debit Balances  
   7.3 Exposure to the clients  
   7.4 Policy of square off position  

8. **INVESTOR REDRESSAL MECHANISM**  

9. **POLICY REGARDING BRANCHES**  

10. **TRADING TERMINALS**
POLICIES AND PROCEDURES

1. CLIENT REGISTRATION
1.1 Acceptance of Clients:
At Fortune Interfinance Limited we accept new clients after proper background checking of the clients. We entertain only those clients who have proper reference viz. Director, Existing Clients, Employees or any other reputed person.

1.2 Registration of Clients:
1.2.1. Clients have to properly fill & sign Our CLIENT REGISTRATION KIT before execution of trade.
1.2.2. Clients have to provide required documents viz. Copy of Pan Card, Address Proof, Bank Proof and Demat Proof etc. with CLIENT REGISTRATION KIT.
1.2.3. We give emphasis on assessing financial capability of the clients, so we collect following documents along with CLIENT REGISTRATION KIT:
   a) Copy Income Tax Return, Copy of Bank statement, Copy of Salary Certificate etc. from Individual Clients
   b) Copy of Income tax Return for last two years, Copy of Audited Annual Report includes Profit & Loss Account and Balance Sheets of last two years, Net worth Certificate etc. from Non – Individual clients.
1.2.4. Client Registration Kit contains
   A) Mandatory :
      i) Individual/ Non Individual Client Registration Form,
      ii) Agreement Between Trading Member & Client – NSE
      iii) Agreement Between Trading Member & Client – BSE
      iv) Combined Risk Disclosure Document
      v) Investors’ Rights and Obligations
      vi) Mandatory Policies & Procedures.
   B) Non- Mandatory :
      i) Authority Letter for Running Account of Funds & Securities
      ii) Other Terms & Conditions
   c) Forms:
      i) In Person Verification of Clients form
      ii) Brokerage Charge Sheet
1.2.5 Documents acceptance and verification: After receiving properly filled and signed Client Registration Kit along with required documents from clients,
   A) Our designated employee:
      i) checks it properly
      ii) verifies the supporting documents with originals
      iii) Verifies the client identity personally (in person verification) and fill & sign the “in person verification form” provided in Client Registration Kit.
      iv) Report to the compliance officer
   B) Compliance Officer approves the verified Client Registration Kit and documents and
      i) Instruct back office executive to feed the details in back office software and create a new UCC of the client.
      ii) Upload details at respective websites of the exchanges.
      iii) Instruct System Head to upload client details in CTCL/ IML Software and exchange frontend software.
      iv) Instruct Surveillance Head to provide exposure limits to new client as per company policy.
      v) Inform dealer about registration of new client.
1.2.6 Delivery of copy of Client Registration Kit to the clients:
After opening of the clients account, Compliance Officer sends a copy of executed documents to the clients along with welcome letter via:
   i) Hand delivery at correspondence address mentioned in Clients Registration Kit.
   ii) Courier at correspondence address mentioned in Clients Registration Kit. Compliance Officer keeps Proof of delivery or courier slip in safe custody.
1.3 Maintenance of Client Registration Documents
Client Registration documents kept in safe custody at registered office.
Note: Compliance Officer and Principal Officer will implement guidelines adopted by Company under PMLA in Client Registration Procedure. The PMLA Policy is separately incorporated in Policy and Procedure Documents.
POLICIES AND PROCEDURES

2. Order & Trade Management
2.1 Dealers have authority to punch order in the trading terminals after receiving the order from the clients.
2.2 After execution of orders, dealers call back to clients on their known telephone/ mobile for confirmation of trade.
2.3 Compliance officer monitors trading activity during trading hours.
POLICIES AND PROCEDURES

3. Settlement of Fund and Securities

3.1 Fund Pay in/ Out
3.1.1 MISBPL does not receive/ pays in cash.
3.1.2 MISBPL does not receive bankers cheque or pay order.
3.1.3 MISBPL makes/ receives payment on by cheque or through E-Net.
3.1.4 In Capital Market Segment, MISBPL settles account on T+2 day.
3.1.5 MISBPL makes Full payment of fund within one working day of receiving the relevant pay out from the Exchange or as per specific instruction received from clients.
3.1.6 MISBPL collects Full payment of fund from the respective clients before Pay in of the respective exchange.
3.1.7 In Derivative Market Segment, MISBPL settles account on T+1 day.
3.1.8 MISBPL makes Full payment of Mark to Market profit within one working day of receiving the relevant pay out from the Exchange or as per specific instruction received from clients.
3.1.9 MISBPL collects Full payment of Mark to Market loss from the respective clients before Pay in of the respective exchange.

3.2 Securities Pay in/ out
3.2.1 MISBPL makes delivery of securities within one working day of receiving the relevant pay out from the Exchange to the respective clients or as per specific instruction received from clients.
3.2.2 MISBPL collects securities from the respective clients before Pay in of the respective exchange.

3.3 Close Out
3.3.1 In case a client purchase shares and fails to make full payment before the Pay in day, MISBPL reserve the right to sell the shares unless client has an equivalent credit with the MISBPL. The loss incurred in this regard, if any is meet from margin money of the client.
3.3.2 In case a client sales shares and fails to deliver the same before the delivery day, close out are done as per exchange rules for auction of shares. Loss on transaction, if any, is met from margin money of the client.

3.4 Shortage in obligation arising out of internal netting of trades
3.4.1 In case of internal netting of trades, if the seller fails to deliver the shares in scheduled settlement number of MISBPL.
i) He/she/ it has to deliver the same in Auction Settlement for settlement number of MISBPL, otherwise
ii) Seller account will be debited as per exchange auction price for the particular security with the charges and buyer will get credit for exchange auction price charged to seller.
3.4.2 In absence of Exchange Auction Price, MISBPL considers settlement price, the highest closing price from Trading + 1 day (i.e., next trading day to actual trading day) to trading day + 3 (i.e. Auction date).
POLICIES AND PROCEDURES


4.1. Contract Note
4.1.1 MISBPL issues Contract notes to all constituents within 24 hours of execution of contract in the prescribed format with all relevant details filled in.
4.1.2 MISBPL sends Contract notes to all constituents a) by hand and b) by courier.
4.1.3 MISBPL maintains Copies/ duplicates of Contract Notes issued at its registered office.
4.1.4 MISBPL maintains Proof of delivery of Contract Notes issued at its registered office.

4.2. Daily Margin Report
4.2.1 MISBPL issue Daily Margin Report to all the constituents whose trade positions are outstanding at exchange level.
4.2.2. MISBPL issue Daily Margin Report in prescribed format by the exchanges.
4.2.3 MISBPL issue Daily Margin Report to all constituents a) by hand or b) by courier.
4.2.4 MISBPL maintains Copies/ duplicates of issue Daily Margin Report issued at its registered office.
4.2.5 MISBPL maintains Proof of delivery of issue Daily Margin Report issued at its registered office.

4.3 Periodic Statement
4.3.1 MISBPL sends Statement of accounts for funds / securities (with error reporting clause) to all the clients, with periodicity not exceeding three months, within a month of expiry of the said period a) by hand and/ or b) by courier.
4.3.2 MISBPL sends Annual Statement of Security Transaction Tax issued showing day-wise scrip-wise STT amount, within one month from the close of the financial year a) by hand and/ or b) by courier.
4.3.3 MISBPL maintains Proof of delivery of Statement of accounts for funds / securities and STT statement at its registered office.
POLICIES AND PROCEDURES

5. Closure of client account.

5.1. FIL closes client under following conditions
5.1.1. On receipt of the specific respect from the client to deregister himself and to close the account.
5.1.2. On account of breach of terms and conditions of the agreement by the client.
5.1.3. On account of any action taken by SEBI / Stock Exchanges / any other authority against the clients or its partners/ promoters/ directors/ authorized persons or they are debarred from accessing the securities market.

5.2. After closing of account MISBPL returns clients asset viz. Ledger balance, FDR, BG, Securities etc. if any within one month of closing the account.
POLICIES AND PROCEDURES

6. Inactive Account/ Dormant Account

6.1 Clients who do not trade through MI Stock Broking Private Limited for consecutive 6 months are treated as Inactive clients and account of those clients are treated as inactive account/ dormant account

6.2 Return of client assets:
6.2.1 If no payment is due from Client then his assets such as Ledger Balance, Cash Margin, Securities, FDR, and Bank Guarantee etc. will be returned to clients within one month.
6.2.2 If Payment is due from clients then his assets such as Securities, FDR, Bank Guarantee etc. will be returned after realization of payment.

6.3 Procedure for re activation of inactive account/ dormant account:
6.3.1 Inactive account/ dormant account will be re activated after receiving specific written request from client.
6.3.2 A confirmation will be sent to client after re activation of his account.
POLICIES AND PROCEDURES

7. Risk Management Policy
MI Stock Broking Private Limited have a prudent system of risk management to protect itself from clients default. MISBPL framed its risk management policy in view of margin requirement of the stock exchanges.

7.1. Margin Collection
7.1.1 In capital market segment, It is not compulsory collect margin from the clients. MISBPL Management decides on collection margin on client to client basis. So Margin collection system is varies from client to client and which as follows

i) Client with sound financial back ground : The financial position of such clients evaluated at regular intervals. MISBPL may not collect margin money from those clients whose cash flows looks healthy or exhibit a positive.
ii) Close Relative/ Friends : MISBPL reserve its right to collect margin from Close relative/ friends of the director. Management take decision on collecting the margin from Close relative/ friends on recommendation of the director.
iii) Client having good reputation in terms of Cheque realization: MISBPL do not collect Margin from Clients whose cheques are honoured 90% of times.
iv) Client who are salaried employees in reputed organization : MISBPL do not insist on margin from clients who are employed at reputed organization.
v) Client who are introduced by sister organization : MISBPL do not insist on margin from clients who are introduced by sister organization and have good reputation at those organization.

7.1.2 In Future & Option and Derivative segment of the market MISBPL ensure strict margin collection from the clients before placing any order on behalf of them.

7.1.3 Margin is collected in the form of cash , GD, BG, Securities after applying appropriate hair cut and other assets permitted by exchange.

7.2 Monitoring Debit Balances
Branch Head and Compliance regularly monitoring debit balances of clients. They do age analysis of payment outstanding from the clients on monthly basis and categoriesthme as

i) High risk
ii) ii) Medium Risk
iii) iii) Low Risk.

High Risk Clients - Those clients whose outstanding dues remain more than 30 days MISBPL puts them into high risk category and efforts are made to realize the money at the earliest. And MISBPL puts them under watch for further transactions.

Medium Risk Clients - Those clients whose outstanding dues remain more than 15 days but less than 30 days, MISBPL puts them into medium risk category. And efforts are made to realize the money at the earliest.

Low Risk Clients - Those clients whose outstanding dues remain more than 7 days but less than 15 days, MISBPL puts them into low risk category.

7.3 Exposure to the clients
7.3.1 In capital market segment Clients exposure limit varies from client to clients . Management decides on Exposure limits to the clients.
7.3.2 In future & option and derivative segment FIL clients exposure limit depend on margin receipts from clients.

7.4. Policy of square off position
7.4.1 The Clients are made aware of the fact that their position would be squared off incase of margin/ pay in default in writing at the time of opening of client account.
7.4.2 At the time of default the clients are further informed about the square off of trades over phone or in writing before square off of positions.
7.4.3 Dealers reminds the client on a daily basis regarding the margin / pay in requirement and also gives final call before square off of trades.
POLICIES AND PROCEDURES

8. INVESTOR REDRESSAL MECHANISM
8.1 Investor grievances register is maintained centrally at H.O.
8.2 An exclusive e-mail ID to enable the investors to register their complaints is designated and such id have been displayed on the website
8.2 Compliance Officer daily monitor Investor complaint.
8.4 If Compliance Officer do not redress any complaint in 15 days then it is monitored by the whole time director.
POLICIES AND PROCEDURES

9. POLICY REGARDING BRANCHES
9.1 MISBPL intimates exchange about opening of new branch.
9.2 MISBPL appoints a branch head for every branch, who is responsible for activity at branch.
9.3 MISBPL informs Branch Head and other Branch employees about policies and procedures of the company.
9.4 A notice board as per format provided exchange displayed at every branch.
9.5 Compliance Officer monitors day to day activity of branches.
9.6 MISBPL do internal Audit of branch on yearly basis.
9.7 In case of closing of branch, clients are inform one month prior to closing of branch.
POLICIES AND PROCEDURES

10. TRADING TERMINALS
10.1 MISBPL uses two type of trading terminals i) Neat/ Bolt Trading terminal ii) CTCL/ IML trading terminals.
10.2 MISBPL allots Trading terminal to those users who fulfill the requirement of exchange certification.
10.3 All the user details uploaded to exchange as per guidelines given by the exchanges.
10.3 MISBPL uses trading software approved by the exchange for trading.