

INTERNAL CONTROL

ARCH FINANCE LTD.

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INTRODUCTION

Arch Finance Ltd., (herewith referred as ARCH) a SEBI registered Stock Broker and Depository Participant follows a system for internal control with a view to ensure that the rules and regulations of regulators, government agencies, exchange, depositories and other authorities are complied with and the internal control and risk of the organization is managed in a smooth manner. For this purpose the company from time to time has laid down certain policies and guidelines. ARCH tries to ensure that all the requirements of the Regulators, Exchanges, Depositories, Govt Agencies etc. are incorporated in respective policies or formulated as a separate policy. However there may be difference in names or presentations as it also incorporates other guidelines for its internal controls. All care has been taken by the Board of Directors to ensure that there is no lapses in the same. Even if, any guidelines has escaped attention it shall be deemed to have been incorporated in the spirit of such guidelines. In case of any contravention in the policies and guidelines laid here under the policies/guidelines of Regulators, Exchange, Depositors etc. shall prevail.

The company has a compliance team led by Compliance Officer, Principal Officer & Associates to ensure smooth operation of the company as per rules, regulations and circulars issued by the SEBI / Exchanges and other regulatory bodies from time to time.

ARCH reserves right to make changes in the Internal Policies and Procedures, as may be required from time to time. The policies are reviewed in the meeting of Board of Directors from time to time. These policies are applicable across organization wherever applicable.

PART-A

DEALING WITH CLIENTS

❖ CLIENT REGISTRATION:

Member is accepting the new clients (Individual & Non-Individual etc.), only after verifying the back ground of the clients and the policy documents as applicable for the category of the clients. The KYC forms along with all the relevant supporting documents including IPV are obtaining from the clients. After obtaining the KYC along with supporting documents, the DP ID & Client codes (UCC) are allotting to the clients and the Welcome Kits & DIS books are sending to the clients.

❖ KRA & CKYC:

After allotment of the UCC, the KYC team uploading the KYC documents of the clients on KRA & CERSAI systems within the time frame prescribed by the SEBI / Exchanges.

❖ COLLECTION OF MARGIN FROM CLIENTS:

Capital Market Segment:

1. No purchase & sell order will be entertained unless upfront & other margin, as applicable available in client's account.
2. In case where margins are not adequate in the client's account, we are accepting the funds through online transfer or cheques from the clients on the same day
3. The remaining obligations amount are collecting from the clients on the settlement day or the day as specified by SEBI / Exchanges
4. No short sale are allowing
5. Sale order will be executed only on delivery of shares to respective DP account before orders are executed unless management allows the shares to be sold before receipt of shares.
6. Margins are collecting from the clients in form cash, fixed deposit, B.G and Securities etc. as per the guideline issued by SEBI / Exchanges from time to time

Derivative (F&O, Currency & Commodity) Segment:

1. No purchase & sell order will be entertained unless upfront & other margin, as applicable available in client's account.
2. In case where margins are not adequate in the client's account, we are accepting the funds through online transfer or cheques from the clients on the same day.
3. The MTM / bills are collecting from the clients on the settlement day or the day as specified by SEBI / Exchanges
4. Margins are collecting from clients in form cash, fixed deposit, B.G and Securities etc. as per the guideline issued by SEBI / Exchanges from time to time.
5. If there is any margin shortfall, the positions are reducing, after making call to the clients.

❖ FUNDS & SECURITIES OF THE CLIENTS:

Member is maintaining separate Bank and Demat accounts for client and own, funds & securities. Segregation of own and client's funds / securities are properly maintaining. Funds / Securities of the clients are maintaining as per the guidelines of the Exchanges / SEBI. Dividends received on clients' securities is to be disbursed within the time prescribed by the exchanges.

❖ TRADING & SETTLEMENT:

Active client master lists are uploading in the trading terminal and all the orders from the clients should be checked for the client codes in the list. This will ensure no punching error are happening in any of the trading terminals.

Dealers should be vigilant in executing the orders of the client. The voice recording systems are in place, where order are receiving from the clients. They should check & report to senior authorities if any client is giving order of abnormal quantity or rates or orders for trading in penny & illiquid stocks.

Every client should be contacted after the market hours for trade confirmation. The clients should be asked for the settlement of their obligation before settlement date of the exchange.

Every client should be asked to give his/her order in writing or provide written

confirmation for accepting order over telephone. However all telephonic communication in the dealing room is record on a voice logger, logs of which are maintained for a reasonable period of time even after settlement of trade. Staff/dealer should check the margin availability /credit limit of the client before executing any trade on his behalf.

The settlement procedure are as under:

1. Payments to clients shall be made on pay out basis i.e. within 24 hours of pay out (T+2 day), where there is no running account authorization.
2. The clients, who are providing the running account settlement for smooth trading of their account, their accounts are settling on the basis of the settlement preference i.e. Monthly/ Quarterly basis. The Actual settlement are carrying as per the guidelines issued by the Exchanges / SEBI.

❖ **CONTRACT NOTES & MARGIN STATEMENTS:**

All the Statements & Contract notes etc. are issuing to the clients from the Head Office only. The contract notes are issuing to the clients to all the traded clients within the time frame prescribed by the Exchanges. The margin statements are issuing to all the traded clients as well as the clients, who holds the open positions, as per the time line prescribed by the Exchanges.

❖ **ACTUAL SETTLEMENT OF FUNDS & SECURITIES:**

The actual settlement of funds & securities are carrying as per the preference i.e. Monthly/ Quarterly basis, given by the client in the running account settlement. The funds & securities are settling as per guidelines of the Exchanges / SEBI. The settlement letters are issuing to the clients within 5 days from the date of settlement. Further, if any due to the clients, such dues are to be settling within 5 days from the date of settlement and the settlement are carrying as per the guidelines issued by the Exchanges / SEBI.

❖ **STATEMENT OF ACCOUNTS & ANNUAL GLOBAL STATEMENTS:**

Member is issuing the statement of accounts on quarterly basis and the Annual Global Statements on yearly basis to the clients. Further, retention statements are also deemed as issuing the statement of account to the clients.

❖ **ENHANCE REPORTING:**

Under Enhance reporting, there are two types of reporting of client funds & securities, one is weekly and second one is monthly. Under weekly, the consolidated balances of clients and under monthly the client wise details are reporting with the Exchanges Portal.

❖ **INVESTOR GRIEVANCE:**

Member has framed & adopted the IGR policy and the grievance is handling as per the policy. There is a designated mail id for lodging the investor complaints and the same is monitoring on day to day basis. The designated IG mail id written / displayed on the various documents such as KYC documents, Contract note and Statement of Account, Website and Notice Board etc. Member is maintaining a compliant register, in which the complaints were recorded in the register and the compliance officer verifying the compliant and take the necessary actions within the time frame prescribed by the exchanges / SEBI.

PART-B

BRANCH MANAGEMENT

❖ OPENING OF THE BRANCH:

1. Search of location outside the range of existing branch office of the company as decided by the management of the company from time to time.
2. Do proper survey of the selected locations
3. Assessment of prospective clientele at new location with expected brokerage earned from the branch.
4. Exiting offices of other Stock brokers at the same locations to assess the profitability of the location
5. To judge the Cost factor as against the expected income.
6. Basic facilities, i.e., electricity, water, etc.
7. Requirement and availability of new staff at new location.
8. Make necessary arrangements for uploading of necessary information with Exchange (s), wherever required.
9. Make sure to display Notice Board and Name of the company as per the Exchange(s) norms.
10. Make sure to display SEBI Certificate & IG details on the office
11. Make sure to display Investors Rights and Obligations on the office.

❖ SHIFTING / CLOSING OF THE BRANCH:

Normally Member is not closing their branches. Member is shifting the existing clients from one branch to their nearest branch. Prior to shifting the branch, member is intimating the clients by issuing the letter to the clients for shifting to the nearest branch. If any clients does not wish to shift the branch, then clients may trade through directly through head office or may close their accounts.

❖ INSPECTION OF BRANCH / AP:

Member has the in-house team for carrying out inspection of branches / AP as per the guidelines prescribed by the exchanges / SEBI from time to time.

PART-C

OFFICE MANAGEMENT

❖ DISPLAY OF NOTICE BOARD:

There is the properly display of permanent Notice Board (viz. painted board) containing required details, at all places where trading terminals are located including registered offices and branch offices of trading member / AP.

Further, the display of copy of SEBI Registration Certificates at the Head Office as well as Branch / AP office.

❖ TRADING TERMINALS:

1. The trading terminals are located at registered office / Head Office, Branch Offices & AP office.
2. The trading terminals are approved by the exchanges.
3. The trading terminals are using by the approved users.
4. The approved users are NISM / MCCP certified.
5. Pro-trading activities are carrying out from Pro trading terminals

❖ MONITORING OF SURVEILLANCE ALERTS:

The RMS team are monitoring the surveillance alerts on daily basis and take the necessary action on the same.

❖ **CLIENT CODE MODIFICATIONS & ERROR TRADE ACCOUNT:**

With reference to SEBI circular ref. no. CIR/DNPD/6/2011 dated July 5, 2011 regarding modification of client codes of Non-Institutional trades. As per the SEBI circular, the following client code modifications would be considered as genuine modifications, provided there is no consistent pattern in such modifications:

Where original client code/name and modified client code/name are similar to each other but such modifications are not repetitive.

If there is any error made by the dealer, such transactions are setting through "Error account". The compliance officer approval required for all the above cases.

❖ **POLICY ON PRE-FUNDED INSTRUMENTS:**

If the aggregate value of pre-funded instruments is Rs. 50,000/- or more from client per day per client, the company will accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank.

And the mode of certification will include the following either:

1. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
2. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
3. Certified copy of the passbook/bank statement for the account debited to issue the instrument.
4. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.

The company will also maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their respective clients only.

❖ **CLOSURE & IN-ACTIVE OF CLIENT ACCOUNT:**

Member is following two process:

1. In the first instance, in which request received from the clients for closing of his/her account, then the member verifies the balances of funds & securities. If there is no balance available in respect of funds & securities, then the accounts will close. If there is any balance lying in the account, the account will close after transferring the funds & securities to the client's bank & DP accounts respectively.
2. In second instance, member is voluntary marked as "in-active", when the client does not trade for more than 12 months.

The internal control are reviewing on yearly basis and as required by the exchanges / SEBI from time to time.
