

INTERNAL CONTROLS

Registration of Clients:

As a measure of customer acceptance policies and procedures that aim to identify the customers the below mentioned factors are followed for accepting a client:

Each Registration form and Agreement must be reviewed by a senior manager before allowing any client to transact with us and a client may be graded with High risk. All the clients of special category as mentioned below are expected to be High risk as per the suggested guidelines:

- 1) Non resident clients*
- 2) High networth clients*
- 3) Trust, Charities, NGOs and organizations receiving donations*
- 4) Companies having close family shareholdings or beneficial ownership*
- 5) Politically exposed persons (PEP) of foreign origin*
- 6) Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)*
- 7) Companies offering foreign exchange offerings*
- 8) Clients in high risk countries (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 centers, tax havens, countries where fraud is highly prevalent.*
- 9) Non face to face clients*
- 10) Clients with dubious reputation as per public information available etc.*

However the company has divided its clients broadly into the following categories, keeping in the view the spirit of the suggested guidelines provided for Anti Money Laundering and existing client database as per the following table:

Categories	Clients included
Highest Risk	(a) HNI Retail Clients (b) NRI Clients

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High Risk	(a) Retail Client
Medium Risk	(a) Employees
Low Risk	(a) PCG Clients (b) In House Category of Clients (c) Institutional Clients

All above classifications are based on risk perceived, experience and expertise of the senior management and risk assessment personnel of the company.

The company envisages the risk to systematic and structure the input, processing and proper analyzing of the relevant data in pursuance to PMLA recommendation through appropriate softwares. The company strongly believes that the process is dynamic and needs constant review for improvement and modifications to achieve the goal both in front end and back end software.

An updated list of individuals and entities which are subject to various sanction measures such as freezing of accounts ,denial of financial services as can be accessed from website United States <http://www.un.org/sc/committees> where should be counter checked before opening of account. Details of accounts bearing resemblance with any of the individual in the list should be immediately reported to FIU.

Client accounts are opened after due diligence by competent persons appointed for the purpose,

- a. Documentation requirement and other information to be collected in respect of different classes of clients are done having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.
- b. Necessary checks are followed to ensure that the 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.
- c. Before registering an entity as client, measures are taken to identify the client. The identification of the client should be proper. Copy of the identity of the client is checked and verified with the original. A copy of the identity proof is kept along with the client registration form. Only self attested copy of PAN Card, Voters identity card, passport, Driving license etc is accepted as identity proof.
- d. It is ensured that Client introduction is done properly.
- e. New clients shall have to be known to either the directors/employees of the company.
- f. The Client Registration Form is checked and Unique Client Code is allotted and informed to the Client.

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- g. The Unique Client Code is uploaded in the Exchange System before executing any trade of the Client.

Receiving, validating & entering the orders of clients in the trading platform

Active Client List is uploaded in the NEAT trading terminal and all the orders from the clients are checked for the client codes in the list. This will ensure minimum wrong code punching by the dealers.

Dealers are valiant in executing the orders . They check and report to senior authorities, if any client is giving order of abnormal quantity or rates.

- a) Orders for trade is received over phone from the constituent.
- b) While carrying out transactions for the client, the dealers / relationship managers shall ensure the identity of the clients by asking them relevant questions like their name and Unique client codes.
- c) Orders received as above shall be entered in the Exchange traded system by the approved users.
- d) Any modification / cancellation in the aforesaid order once placed shall also be acceptable either over phone or in writing and will be given effect if the initial order has not been executed.
- e) After the market hours , every clients are contacted for trade confirmation , to avoid any discrepancies.

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Collection and Release of Payments to clients, Collection and maintenance of Margins, Collection and delivery of Securities to the clients

Exposure to a client is given on the basis of margin deposited either in cash or in shares and also taking into account their financial strength.

- a. The Company does not collect any upfront margin from the clients of Capital Market segment,
- b. In F&O Segment, we strictly follow the margin norms as prescribed by the Exchange. An amount over and above the initial margin on the basis of SPAN Margin is collected upfront from the clients and is cross checked with the margin requirement report of the Exchange. Further, the MTM amount is collected on the same day, if any.

Clearing and Settlement

We ensure that clients are delivering the shares from their own accounts and all the deliveries to / from the clients correspond with the details provided by the clients at the time of their registration.

Pay in and pay out of funds/ securities are collected on or behalf of clients from/to designated bank and DP account provided by the client for the purpose only within stipulated time.

Short delivery from/to clients are dealt as per exchange provisions.

In case of internal shortage, we deal as per the following conditions.

- If auction is held in exchange then at the same price debit and credit is done to defaulting clients and beneficiary client.
 - Otherwise stocks are purchased on next trading days and amount debited defaulting clients with the same amount and the stock is transferred to beneficiary receiving client on payment of same stock.
 - The shares are not transferred to the clients dp account till the cheque is not received from the client. The shares till then are held in our beneficiary account on behalf of the client.
- c) At the end of the trading hours to upload Order and Trade details downloaded by the Exchange and on the same day print the following:
1. Register of Securities (Sauda Book)

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2. Master Obligation
 3. Client Obligation
 4. Securities Transaction Tax Statement (STT)
 5. Contract Notes in prescribed format.
- d) Contract Notes / Client Obligations and STT Statement to be cross checked with the Master Obligation.
- e) Affix stamp of requisite value on the Contract Notes/Pay to Superintendent of Stamps, Mumbai
- f) Dispatch the above the documents as required to the respective the constituents within 24 hours either through email id provided by the client or to his mailing address on every Friday.
- g) Obtain receipt of the duplicate copy the Contract Note/Client Obligation and STT Statement from the respective constituent.

ACCOUNTS & AUDIT

Accounts:

Books/Records to be maintained:

1. Registers under the Companies Act, 1956.
2. Order Book
3. Client's Ledger
4. General Ledger
5. Journals
6. Cash Book
7. Bank Statements

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8. Stock Book
9. Register of Shares/Securities received and delivered.
10. Duplicate Contract Notes
11. Complaint Book
12. Minute Book
13. Sauda Book
14. Consent Letter/Agreement with Constituents

Authority to sign cheques/documents etc

The Board of Directors of the Company or any other person authorized by a Board Resolution shall only be sign the cheques/documents etc.

CTCL terminals

CTCL terminals are allocated in strict compliance of the rules made for the purpose.

INTERNAL CONTROL PROCEDURE

1. All bills due for payment, when received, should be placed before the Directors or authorized person/signatory.
2. The bills will be initialed by any one of the aforesaid authorized person and collect by the Accounts Department.
3. The head of the Accounts department will forward the bills to the accountants after re-checking.
4. Accountant/operator will punch the requisite entry into the computerized accounting package and generate the voucher from the system immediately.
5. The voucher will be checked and attached with the relevant bill & cheque and forwarded to the said authorized signatory/person.
6. The cheque will be signed by the authorized person and handed over to the accountant.

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7. The accountant shall deliver the cheque to the party and obtain receipt of the same which shall also be filed along with the voucher and bills.

AUDIT

Environment: A totally computerized environment with an online accounting package which shall be flexible so as to suit the needs of the Company's accounting system from time to time.

REPORTING & INTERNAL CHECK

Internal Audit is conducted on half year basis by a qualified Chartered Accountant as per Securities Contract Regulation Act & Rules with respect to the following:-

- (a) Financial Books
- (b) Market Operation
- (c) Systems Audit
- (d) Compliance of Rules & Regulations under the various Act.
- (e) Reporting on regular basis to the Board of Directors.

Statutory Audit is conducted by a qualified Chartered Accountant, as per the requirements of Companies Act, 1956 & Stock Brokers, Audit as per the Securities Contract Regulation Act.

- Reporting to all the shareholders is done at the end of each financial year as per the requirements of Companies Act, 1956.
- Reporting to the Stock Exchange is done at the end of each financial year as per the requirements of the Securities Contract Regulation Act & Rules.

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INVESTOR GRIEVANCE MECHANISM

The company has adopted following mechanism for redressing investor grievances:-

- The Company has created an exclusive email ID admin@nangaliagroup.in / rahul@nangaliagroup.in
- The same has been published at the contract note of the company.
- The Compliance Officer has the access of the said Id which are checked on day to day basis.
- All complaints received by the company shall be attended promptly but not exceeding 30 days from the date of receipt.
- Register of Investor Grievances is maintained by the Compliance Officer and the grievances are entered therein instantly.
- Once the grievance is sorted out the response is recorded in the register maintained for the purpose.

SYSTEM FOR SENDING FUND STATEMENT & FUND SECURITY LEDGER TO CLIENTS

The company would be sending Clients Fund Statement & Clients Security Ledger through Vichare courier and would maintain acknowledgement of POD of Courier for receipt of sending physical copies as a proof for auditing purpose.

SQUARE OFF OF POSITIONS / LIQUIDATION OF SECURITIES WITHOUT CONSENT OF CLIENTS

Regarding Squaring off of clients position, till date not squared any positions of clients.

ALLOTMENT, SURRENDER OF TRADING TERMINALS

Regarding limit setting of terminals, all the trading terminals are installed at Head Office only and are under the direct supervision of concerned director. So limit setting and mapping of clients is done on their instructions. All the necessary information is submitted to the Exchange from time to time as required. Regarding receipt of funds from clients is done within next working day of trade and payment is made to them on request by client. Delivery of Securities to clients is done within next working day of pay out subject to receipt of funds from clients and on request by client. We do not have any sub-broker

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