

Risk management & Internal Control Policy

1. Introduction

Kanjaloachana Finserve Pvt. Ltd. (hereinafter referred to as KFPL) is a SEBI registered Stock Broker, and to carry on its business as such, it is necessarily required to comply with various Acts, Rules, Regulations, Stock Exchange Bye-laws, and Circulars etc. that govern KFPL's conduct of business. KFPL is a member of BSE & NSE since 2022 with SEBI having registration no. INZ000303035. KFPL has laid down certain procedures to ensure that its various business activities are conducted not only in conformity with the various regulatory requirements but also in a professional manner. All staff shall ensure adherence to these procedures governing their respective part of KFPL's business activities while discharging their duties.

Any non-compliance with the internal control procedures described hereunder may result in disciplinary action against the staff concerned. Staff shall also ensure that if they observe any breach/possible breach of any of the procedures, they must immediately bring it to the notice of their head of department or Compliance Department.

2. Internal Control Procedures Relating to KFPL's Business Activities

The internal control procedures relating the various business areas of KFPL are given hereunder:

a) Client On-boarding and Registration

- The prospective client is required to submit documents as per SEBI's mandatory requirements
- The details are entered in the back office software by the maker of the document. Further a senior person acts like a checker to see that the details have been properly entered in the back office software.
- The client registration modalities are carried out in-house and are not outsourced.
- The compliance officer of the company verifies all the applications received.
- All the formalities relating to client identification & verification are done in accordance with the Customer Due Diligence Process described under the KFPL's PMLA Policy.
- The documents with respect to the registration of the client should be maintained at the office and arranged sequentially as per the UCC code provided to the client and the same should be stored in cabinets under the control and guidance of the Compliance Officer. The sequential numbering and maintaining of the KYC at the office would make retrieval of client registration document fast & easy as and when required.

b) KYC (Know Your Client) Registration Agency [KRA] Registration:

- KRA stands for KYC Registration Agency. It is an agency registered with SEBI under the Securities and Exchange Board of India (KYC (Know your Client) Registration Agency) Regulations, 2011.

- KRA is required to avoid duplication in KYC of the investors and maintain uniformity of data across intermediaries.
- The new KRA system is mandatory from the 1st January, 2012 and details any new client who is registered after 1st January, 2012 has to be submitted to the KRA.
- The organization has to get registered with any of the following agencies: CVL / NDML / DOTEX / CAMS.
- The PAN number is the Unique Identification Number for KRA.
- For New Client registered with the Member:
 - i. The Clients PAN number is checked on the KRA web-site.
 - ii. If the details are not found in the KRA data, the KYC details are uploaded to the KRA. The hard copy of KYC along with the supporting have to be submitting to the KRA within 10 days from the date of uploading.
 - iii. The member has to verify the status of the said KYC. If he KYC is rejected, then the reasons for rejections have to be complied with till the form gets cleared.
 - iv. In case if details are already uploaded to the particular clients, the details uploaded on the KRA have to be verified with the details with the new client documents provided to us. If changes found, the same has been modified on the KRA system and hard copy of the same to be submitted to the KRA

c) Receiving, Validating & Entering the Orders of Clients in Trading Platform

- The Company has restricted the access to the dealing room to the authorized persons only who are dealers of the company.
- The Dealers are informed about the approved clients, and they are responsible for receiving, validating and entering orders received from the clients.
- The orders are received over phone (recorded landline only), e-mail, Bloomberg or Reuters Messenger
- Orders must be executed fairly and to the clients' best advantage.
- All orders must be recorded on a deal slip. Care must be taken to ensure that all relevant details are accurately and clearly recorded on the deal slip.
- Any amendments after sending deal slips to operations must be recorded on the amendment deal slip which should and the Head of Dealing / compliance office should be copied on such amendments.
- On execution of valid order into trade, dealer immediately confirms the trade to the client so as to avoid any future dispute.
- No staff shall deal in securities when in possession of information on client orders, pending transactions, pending research report or any other confidential information. This is a fundamental rule and any staff found to be acting in contravention of this rule will be liable to serious disciplinary action, including dismissal.

d) Risk Management System & Limit Setting:

Kanjaloachana Finserve Pvt. Ltd.

(Formerly known as Kanjaloachana Consultancy Pvt. Ltd.)

CIN: U74999MH2017PTC297198 || GSTIN: 27AAGCK6770Q1ZO || LEI: 25490071ZKWP8NQL0613

201, Garnet Palladium, Pandit Motilal Nehru Marg, Panch Bawadi, Behind Express Zone, Malad East, Mumbai – 400097

Email id: info@kcpl.ind.in || Tel No - +91 22 61925310

KFPL has a policy to follow strict Risk Management parameters and in order to achieve this, KFPL has set:

- Order-wise quantity limit for each Dealer / Client/ Segment for each order
 - Order-wise value limit for each Dealer / Client /Segment for each order
 - User value limit for each USER ID based on order level also
 - Branch value limit for Branch ID based on order level also
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- The limits are reviewed by Risk Management Department based on the above criteria in consultation with Sales/Sales Trader.
 - Risk Management Department has the facility to set position limits exchange-wise, segment-wise, dealer-wise, and scrip-wise. The limits are set in NSE NEAT System through 'Corporate Manager' and in BSE BOLT System through Zero Terminal and in CTCL Systems through Admin Terminal. The client-wise limits are set through CTCL System.
 - Risk Management Department also monitors the exchange-wise and segment-wise exposure limits for the Company.
 - The Trading Terminals are installed / activated only after complying with the regulatory requirement of the SEBI and the Stock Exchanges and after uploading the details of the Authorized User with the Exchanges.
 - The Company has a system in place wherein on weekly basis Risk Management Department verifies that the certificates of the Authorized Users have not expired or are not due to expire in near future. If any certificate is found to be nearing its expiry, the concerned user is informed about the same one month in advance so that he/she can appear in the specified exam for getting a new certificate.
 - The Risk Management Department also monitors the activity in accounts which had been lying dormant for a long time.
- e) Unauthenticated news circulation
- Employees/ temporary staff shall not circulate rumors or unverified information from client, industry, any trade or any other sources without verification.
 - Employees/ staff shall not have access to Blogs/ Chat forum/ Messenger sites etc without permission from senior management.
 - Any non-compliance with the internal control procedures described hereunder may result in disciplinary action against the staff concerned.
- f) Compliance Function
- 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 the 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 Department undertakes following activities on a regular basis:
 - Check on securities dealing conducted by KFPL
 - 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;
 - Identify potential conflicts of interest
 - Review of documentation, particularly in areas with regulatory responsibility
 - Review of any complaints, penalties, fines
 - Review of manuals on a semi-annual or annual basis to ensure that necessary updation is carried out.
 - The compliance department 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 exchange / SEBI requirements.
 - Review of the alerts provided by the exchange
 - Review the alert / surveillance controls generated through the back office software
 - The compliance department 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.

g) Business Continuity Planning / Disaster Management Plan

- The front office has connectivity to exchanges via leased lines and internet based connectivity as a backup.
- For back-office operations, the Company takes daily backup of the records into hard disk of Server. Apart from internal backup, the Company also takes weekly backup on DVDs and keeps copy of it externally in a remote place for safe custody.
- The backups are regularly tested to see their usability in case of any disaster.
- Most of our trading terminals have UPS (Uninterrupted Power Supply) to take care of power break down. Similarly, all our back office servers are connected to UPS.
- We have also established connectivity through Lease Line for trading from our back office. In case of disaster if our front office is inaccessible the trading activity is carried out from back office.

h) Contract Notes:

- The contract notes & daily margin statement can be issued manually in physical form or the same may be issued Electronically (specified hereunder as ECN) as per the procedure specified by the exchange
- All Contract Notes stationery should be kept in safe custody.
- Contract Notes must be issued in the format prescribed by the exchange.
- Contract Notes & daily margin statement must be issued within 24 hours of the transaction.
- Contract notes must be signed by authorized persons only.
- Time, order number and trade number must be printed on the contract note.
- The Contract Notes should be physically / electronically sent to clients on a daily basis by Hand Delivery / Courier / ECN or through STP in case of Institutional clients
- In case of any change in the e-mail id of the client then the same should be considered only if a physical letter is provided by the client for change of email-id.

i) Investor Grievances Redressal Mechanism:

The Company maintains a Complaint log with the Compliance Officer. All complaints received from the investors/clients are recorded in this register. Concerned department must be informed about the complaint received and efforts should be made to resolve the complaint within the stipulated time.

j) Recording System:

- Orders that are received over phone (recorded landline only) must be recorded daily and the recorded conversation between the clients and the dealers should be stored -daily for easy retrieval and checking in future. The voice logs should have proper back-up and stored properly in-house as well as outside the office. Voice logs must be listened only by the concerned employee and the Compliance officer.

k) Order Confirmation / Trade confirmation system:

- The orders received over phone are directly entered in the front-office system and the same is confirmed to the clients as soon as the order gets executed. In case of orders, received over Bloomberg or via email, clients are confirmed via Bloomberg or mail when the orders get executed. Additionally, the dealers also talk to the clients to update them on the status of their orders. At the end of the day, contract notes are sent to clients confirming about the trades done on their behalf,

l) Internal Audit

- Company has policy to conduct Half Yearly Internal Audit as required under the SEBI Act, 1992

m) Annual Return:

- The Compliance officer and the inspection department / internal audit department are required to check the compliance with the various requirement of stock exchange and accordingly the filing of Annual Return with the exchange is required to be completed before the due date. The exchange issues circulars regarding the same and the compliance with the same has to be taken care of.

n) Annual Information Report:

- The Compliance officer is required to submit the Annual Information Report to the stock exchange in their specified format after updating any suggestions as may be provided by the exchange vide their various circulars to see that the organization has complied with the various requirements as may have been specified by the exchange within the time limit as may have been specified by the exchange.

o) Half yearly networth certificate:

- The requirement of submission of networth certificate on half yearly basis for the periods ending 31st March and 30th September has to be complied as per the requirement of the stock exchange by the Compliance officer and the inspection department / internal audit department in co-ordination with the statutory auditors.

p) Mandatory Insurance Cover:

- The requirement of taking the mandatory Insurance cover and submitting the same to the stock exchange has to be taken care by the Compliance department in consultation with the operations / accounts department or with guidance from the senior management as may be required.

q) Suspicious Transactions

- The Company has implemented a written Anti Money Laundering Policy & Procedures in the organization in accordance with the requirements under the PMLA and has also designated a Principal Officer for preventing and controlling money laundering activities and for combating financing of terrorism. The said policy, inter-alia, provides for Customer Due Diligence Process to be observed for new as well as existing clients, policy for acceptance of clients, maintenance of records, identification and reporting of suspicious transactions to authorities, AML training to staff for effective implementation of the AML Policy. Also Company analysis, monitor & report transactional alerts provided by the Exchange from time to time.

r) Arbitration / Dispute Resolution Committee

- All arbitration proceedings in BSE and NSE as well concerning KFPL must be attended by CEO/COO / Director of the company.
