

CRESCENT FINSTOCK LTD.

INTERNAL CONTROL PROCEDURES WITH RESPECT TO VARIOUS AREAS:

1. Registration of Clients:

- Persons are added as clients only after they have a meeting with the senior manager / Management of the company.
- The Application forms for opening an account are issued only when the management is satisfied with the client's financial capacity to trade in stock market and after the prospective client provides the valid reference & introducer for his account.
- Know your client form is duly complying with the mandatory requirements specified by the SEBI & Stock Exchanges and are processed further along with pre-franked Agreement / Stamp paper of requisite amount, Supporting documents, proof of bank account, DP account, etc.
- 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.
- Walk-in clients are not entertained and only clients through reference are enrolled.
- The financial capability of the client is assessed on the basis of the balance sheet, profit and loss, income tax return, wealth details, etc which shows the financial position. 2 years balance sheet is taken from corporate clients. The individual clients are not comfortable providing the financial document, and hence a declaration is considered on the basis of the comfort of the organisation vis a vis the client. However I Tax return copy is taken & Networth is insisted upon.
- The client registration modalities are carried out in-house and not outsourced.
- With reference to updation of clients financial information, the client are requested to send their copy of I Tax return 7 networth on yearly basis.
- The compliance officer of the company verifies all the applications received.
- The company has the policy of approval of all application forms by the Management of the company before allowing opening of trading a/c of the applicant.
- The clients are appraised about the risk disclosure document and make them aware of the contents regarding the risk associated with the securities market.
- On the Basis of Risk profile of Client, which is done by Management/ Sales Traders / Dealers Client is given limits for trading.

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

- The Organization setup is such that all the clients are personally known to the management. The dealer is aware of the risk appetite of the each and every client which helps in better control.
- The company has restricted the access to the dealing office only to the authorized persons who are dealers of the company. The company has put an electronic access control system.

- The approved clients are informed to the dealers who would be responsible for receiving, validating and entering the orders on behalf of them.
- The orders are received over phone (recorded landline only), via e-mail, bloomberg, personal instructions when they are in the office.
- To give better & personal service to the clients they are divided group wise among the dealers so that particular dealer can serve a particular group of clients which helps dealer to understand client investment strategy in a better way & serve them accordingly. The concerned dealers are given margin positions of the clients daily and on the basis of the same the exposure is determined by the dealer. In cases exceeding the normal trading pattern, the dealer contacts the front office head to decide on the trade. In case of sub-broker having TWS at their office, an overall exposure is fixed on the TWS, thus restricting over trading. The order are entered instantly as given by the client without any delay.
- On execution of valid order into trade, dealers confirm the trade with the client so as to avoid any future dispute.
- At the end of the trading hours, the dealer once again informs the clients about the execution of the orders placed by the clients.
- After market hours, back office team informs the client about their executed trades for the day and also about their obligation towards Pay-in & Pay-out of funds & securities for the particular day.
- The Limit setting of Terminals is decided after discussion with Head of the Department/ Sales Traders & Dealers by the Risk Management Department at Authorised User Level.
- In Case of CTCL Terminals, Clients are Mapped & Sales Traders / Dealers have informed about their clients. They are authorised to enter orders for those clients only & surveillance Department is monitoring online to ensure that they are entering orders for mapped clients only.
- The Terminals are installed / activated only after complying with the regulatory requirement of the Exchanges & SEBI and uploading the details of the Authorised User with Exchange.
- Company has system in place wherein on weekly basis Risk Management Department verifies that the certificates of Authorised users are not expired. If any case is found the same is informed to dealers one month in advance so that they can appear the Exam.

3. Collection & release of payments to client:

- Some of the clients have given consent to the company to maintain running accounts on their behalf to avoid trouble of receiving / paying funds on daily basis. As decided by Risk Management Officer in case of some clients no trades are done until the funds are received in advance.
- The company collects and releases funds through banking channels i.e. Account Payee Cheques & Demand Drafts and RTGS only.
- The account team keeps proper co-ordination with DP team regarding Pay-in of securities by clients and then releases the Pay-out cheques to the client. In case of shortage the amount is released after withholding the part pay-out fund.
- Company releases payments of the clients either by hand delivery to the authorized persons intimated by the clients or by courier to the client's correspondence address as informed by the clients. In some cases cheques are directly deposited into client's account.

- The collections of funds from clients are also transacted in above manner, cheques are sometimes directly deposited by the clients.
- In case of Pay-in, the cheques are collected on or before Pay-in date of particular settlement & on receipt of cheques it is verified that the cheques are from Clients Account Only. Bank Account Numbers are entered in Receipt Voucher & the same is compared with Master through system. All Bank receipts which are not from Bank Account will be marked with “Third Party” flag by the Back office Software. After identifying such receipts necessary steps will be taken by the Department & the same was reported to Compliance Officer.
- In case of Pay-out, after verifying that there is no short pay-in of Shares, cheques are issued to client.
- In case of Own Trading Pay-in/Pay-out funds are arranged through Own funds.
- Company is not doing any fund based activities such as funding to clients except where client fails to meet his Pay-in Obligation.

4. Collection & maintenance of margins:

- The company transacts on behalf of clients in cash segment. With respect to the collection of margin in cash segment, the company does not mandatorily collect margin. However, all efforts are made to see that none of the cash segment transaction leads to any loss for the organization. Further in case of new clients or risky clients the risk management team / Management may insist on margin / early pay-in of shares or funds before execution of the trades.
- In case where the Margin requirements are not very low as compared to the client Risk profile necessary margin are collected in any of the following form. (1) Early Pay-in of Shares, (2) Collection of Cheques on T / T+1 day. (3) Collection of Funds and/or Securities as Margin.
- With respect to collection and maintenance of margins in the F&O segment the same has been detailed below in Point no. 15 in more detail.

5. Collection & delivery of securities to client:

- In case of sale of shares, deliveries are asked on T day / T+1 Day & same were automatically reconciled through Back office software Master by importing depository transaction files.
- In case of Pay-out of shares, after verifying that all funds due are received. Shares are transferred to clients on Pay-out due otherwise the same are transferred to our Margin Account.
- The company has received authority from clients to maintain running accounts on their behalf to avoid trouble of receiving / paying securities on daily basis. As decided by Risk Management Officer in case of some clients no trades are done until the securities are received in advance. Proper record for securities held of clients is maintained.
- The company also reconciles its pool, principle, CISA and client beneficiary account on a daily basis.
- All the Share lying in Client Margin Account is segregated segment wise – Client wise through Back Office Software & record of the same is maintained in Back Office Software.
- Proper segregation is maintained by Back office Software for shares of Clients and Own.

- The company has subscribed for Speed-e facility to monitor online the activities of pool and other accounts.
- The company has policy not to transfer shares to clients who fails to meet their Pay-in obligation & after taking into consideration of all factors, the decision of square off, if necessary, will be taken by Management.
- Securities details of Clients are maintained in Back Office Software and the same can not be used for other client/own purpose.

6. Monitoring of DP operations:

- The organization has proper demarcation of work and responsibility within the organization. The company has the dedicated personnel for DP operations who are responsible for the all activities of the department thus person in charge of trading is not allowed access to DP operations of the company. They intimate the client for their payin obligations on a daily basis at the same time they confirm the payouts to the clients on a daily basis. They also reconcile all their records on daily basis.

7. Operations & Compliance requirements:

- The role of Compliance officer is to monitor the operations and compliance requirements of the organization.
- The company has also implemented compliance calendar to keep proper control over the operations and compliances.

8. Payment of Dividend:

- The company receives dividend on the client shares directly in the client bank account.
- The company pays all the dividends received on behalf of clients immediately. The client dividend account is nullified immediately to see that client dividend is credited to respective client account.
- On receipt of Client Dividend the same was credited to Dividend Payable A/c (Client) & after identifying the actual beneficial owner, the same was credited to Clients on same day.
- Own Dividends were credited to Own –Dividend Account.

9. Continuity planning / Alternate plan in case of disaster etc.:

- For Front office operations the company has provided with the power backup to all dealing terminals so as to compensate for power supply interruption. The front office has connectivity to exchange via leased lines.
- For Back office operations company takes daily backup into hard disk of server. Apart from internal backup company also takes weekly external backup on DVDs and keeps copy of it in a remote place for safe custody.
- The backups are regularly tested to see their usability in case of any disaster.

