

## INTERNAL CONTROLS

### Background of Company

BALAJI EQUITIES LIMITED, a Corporate Member of Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, was incorporated in the year 2000, having registered office at Flat No.11, Chitturi Complex, Vijayawada – 520 001, Andhra Pradesh and Administrative office at Plot No.125, Durga Nagar Colony, Ameerpet, Hyderabad – 500016. The Company commenced BSE operations from 01<sup>st</sup> December, 2000. The Company is also obtained Currency membership from MCX Stock Exchange Ltd.

The Company was running under the dynamic leadership of Sri J.Sekhara Rao, a Post Graduate in Business Management, who have involved in the Stock Market activities for the last 15 years. The team of professionals is running the Company with a lot of prosperity and progress and with great dexterity.

The Company, offering the Equity, Derivatives and Currency trading, presently is operating the Business through Business Associates at Major Cities like Hyderabad, Vijayawada, Visakhapatnam, Guntur, Rajahmundry, etc., in the Andhra Pradesh with the VSATs and more than 200 Terminals with Cliental base of more than 10000. Presently, Company's average daily turnover is about Rs.50 Crores. The Company is focusing on providing Internet Trading to the High Networth Individual Clients.

The Company is also Member of Central Depository Participant (CDSL) and started Depository Services from December, 2004. As a Depository Participant Company is maintaining more than 11,000 active beneficiary accounts

### PMLA

The Company has appointed Principal Officer and Designated Directors under PMLA and the same was registered with FIU as an intermediary and we are adhering the PML act. The Company will review the AML Policy as and when required as per SEBI Guidelines. We have acquired the PML software for evaluating the any transaction which was suspicious for reporting to the FIU. The software has the facility to generate the alerts for the unusual/suspicious trades. We have done the segregation of clients as per the risk. The Company has written Policy under PMLA and the same was enclosed.

### Registration of Clients:

We have centralized our Client Registration Department at Head Office, after receiving the Client Registration applications, the applications are scrutinized with all the mandatory data required and allot the Unique Client Code for each branch wise. After allotment of Unique Client Code, we will upload the data to the exchange and allow the client for trading after getting the success file from the exchange.







### **Receiving, Validating while entering the Order:**

We wish to inform you that, we receive Orders in persons visit to respective dealing offices and also on over phone with confirming the Unique Client Code. The dealers will verify their credentials and place the orders. We have implemented the Voice Call Recording Systems at our Head Office and Branches. We have advised all our Sub Brokers to implement the Voice Call Recording Systems for accepting the orders from the Clients over phone.

### **Client code Modification**

- Genuine punching errors in client codes while placing orders shall be allowed for modification.
- Client code modification facilities shall be disabled from all the dealer terminals.
- Client code modification shall be carried out only from the admin terminals located at H.O. - Hyderabad
- The key officials entrusted for the same in surveillance desk.
- While carrying out code modification, genuineness of the punching errors shall be verified against corroborative circumstantial evidences like similarities of codes, trades in immediately preceding codes, square off trades without holdings or position or any such other evidences shall have to be taken into account. Any frequent code correction in specific codes and specific sub-broker should be brought to the notice of higher management.
- Complete records of daily online trade modifications shall be maintained in soft form.
- Ensure that Client Code modifications are made only for correcting mistakes arising out of client order entry and with the consent from both the clients.
- Respective sub-brokers will have to send e-mail to RMS/surveillance desk immediately on closure of market in the specified format, which is attached herewith.
- Any penalty, if imposed by the exchange shall be recovered from concerned sub brokers.

### **Off Line back office modification:**

- Client code modification cannot be permitted, if detected after the end of post closing sessions. The error has to be reported to the management and appropriate action taken.
- For F&O and CDS segment, as far as possible, the errors should be rectified by reversal trade in next trading session and the rate differences shall be set off by passing a JV entry in the ledgers of affected clients. This has to reported to the higher levels of management and take necessary approval obtained.







### **Contact Notes**

Contract notes will be generated at centralized head office and will be sent to the client Email IDs and also client has access the digital contract from his account login from Company Website. The contract notes will be serially numbered from first day of financial year. The log will be maintained for the proof of delivery of the digital contracts. Physical contract note will be dispatched to the client for the bounce mails and maintaining the proof of dispatch. Company has obtained the physical letter from the clients for consent of accepting digital contracts. If any change in the mail id of the client, we are obtaining modification form for change of mail ID.

### **Collection of Receipts and Payments :**

#### **Funds:**

Regarding collection of receipts, our branch/franchise will collect the cheques from the Clients for the debit balances and deposit the same in the Bank Accounts. At the end of the day, they will send a mail to Head Office for the deposits made them along with Client details. In Head Office, after receipt of the mails, we will update the back office by giving credit to the respective client accounts after verification with the client bank account details.

In the centralized environment, we are issuing the cheques to all the clients from the Head Office. Normally, we will receive the mails from branches for the clients who are requesting the pay out of funds. After verifying the credits, we will prepare the cheques and send to the branches for distribution to the respective clients. We are maintaining daily reconciliation of bank accounts with back office accounts.

The Company is not doing margin funding to the clients. The Company is paying Sub Brokers/Remissiers after verifying the debit balance of the respective Sub Brokers/Remissiers. We are not accepting any third party transfers from the clients. If any transfer comes from third party we will returning amount to the respective parties immediately.

#### **Securities:**

Regarding Collection of Securities for exchange obligation, clients are transferring the securities to the pool accounts. In back office we have check whether securities are transferred from the respective client D P accounts submitted to us. We will not consider the securities received other than the D P accounts submitted by the client for pay in obligation.

Regarding Delivery of Securities, majority of the deliveries we will transfer to the clients on demand after verifying the ledger balance. Normally we will receive the mails from the branches for deliveries desired by the clients. After receipt of the mails we will transfer immediately to the clients respective D P accounts, till that time we will keep the shares in client beneficiary accounts by keeping track of client wise, settlement wise, scrip wise. For some of the clients who are having the credit balance on the settlement date we are giving the direct payout from the Exchange.

We are not accepting any securities come from third party. If any transfer comes the same will be returning to the same clients DP immediately.







### **Statement of Account**

Statement of accounts will be sending at the time of mandatory settlement of funds and securities to the client directly by courier from centralized office. In addition to that every quarter end statement of accounts will be sent to the respective mail IDs Digitally. Proof of dispatch will maintained for physical copies and log file will maintained for the digitally send statements.

### **Power of Attorney(POA)**

We were obtaining the Power of Attorney (POA) from the clients who are having Demat accounts with us for their pay in obligations in the name of the Company only. This document is voluntary document and option is given to the client for execution of payin/margin.

### **Collection and maintenance of Margins:**

Majority of our Clients are delivery based clients and the accounts are mostly running accounts. We are giving the limits based the balance available in Client accounts for ledger balance and beneficiary holdings. However, we are collecting the extra margins as and when required.

In Derivatives Segment, company is collecting margins in the form of cash and approved securities from the clients for their derivative exposure in upfront. We are reporting as per actual margin against the required margin to the exchanges. We are intimating the margin information to the clients by the end of the day by mail. The log files will be maintained for proof of sending the margins.

### **Monitoring of Branches/Sub-brokers/D P Operations etc..**

We will closely monitor the Branches and Sub-brokers operations in respect of compliances and clients trading pattern, whether they are following the instructions and compliance requirement intimated by the Head office.

Regarding D P Operations, the operations are centralized at Head Office, the dedicated team of persons will look after the day to day operations of the Depository Participant.

### **Opening & closing of Branches/Sub Brokers**

Regarding opening of sub broker office/Branch office will be allowed after due diligence done by the senior officials from the head office. The office will be allowed to execute the trades only after completing necessary compliance requirement.

Closing the Branches/sub broker offices only intimating the existing clients and completing the necessary requirements such as official advertisement for the sub broker cancellation as required by the SEBI.





### **Inactive/Dormant Accounts**

Clients' who have not traded for more than 12 months will be treated as Inactive/Dormant Account and will be Freezed both in front office and Back office. For activation of Inactive clients account will be done on the request from the client after obtaining the necessary documents such as proof Identity and address proof duly signed by the client. These documents will be forwarded to the KYC Department for reactivation after duly verified by the senior officials.

Control after activation of inactive account:

Trades in such accounts be confirmed with respective clients by a person from head office for confirmation of trades executed in the account.

Settlement of Inactive account.

If the client is treated as Dormant /Inactive client, the funds and securities lying in the account will be refunded / transferred to client at his/her/its last know bank account/DP account and sending statement of account to the last known address as per the records.

### **Operations and Compliance Requirements**

We have designated compliance officer, who will look after the compliance requirements as per the Exchange regulations. We are taking the necessary care considering all the regulatory requirements in day to day operations.

### **Payment of Dividend**

We are giving the credit for both corporate actions and dividend to the respective clients for the securities held in client beneficiary accounts as and when the company receives.

### **Continuity planning/Alternative plan in case of disasters etc.,**

We wish to inform you that we are obtaining the services professionals who can manage our computer servers and data management. We also inform you that we have taken two lease line facility from two different service providers apart from VSATs for un interruption of trading from our Office at Mumbai. We are also inform you that, we have NEAT/BOLT terminals at our Administrative Office at Hyderabad in case of any problem at Mumbai Office. Regarding back office, we made arrangements for backup of data.

