

I. Introduction

Internal Control has the mission: Safeguarding of Finquest Securities Pvt Ltd Ltd. financial transactions and Credit worthiness is critical to the functioning of Finquest Securities Pvt Ltd. Our business transactions are at risk from potential threats such as bad intent of our clients, Excess exposures positions, Problem with Payment and Delivery obligations etc.

Such events are the situations where Finquest Securities Pvt Ltd has applied Risk Management policy to counterfeit these situations which may result in loss to the organization.

Internal control policy (ICP) identifies the set of measures that are part of company's security programs. ICP. Is a policy towards safe and secure environment with respect to client obligations and to achieve risk at the minimum level possible.

II. SCOPE

Various circulars of SEBI, Exchange, Depository and other governing body had laid down the principal of Risk Management with respect to Intermediary Transactions.

On one side the expansion of business of Finquest Securities Pvt Ltd become Inevitable for the Growth of our organization and on the other side there is urgent need of sound and efficient control procedure to create an environment where there is Tracking and Scanning of Client transactions and a particular path of the same.

With these in mind, we have developed the following as a Policy which gives Risk Management norms accepted by the management and applicable across all the levels of employees including Managers and Directors.

III. Risk Assessment, Sensitivity and Criticality

Our company ensures that risk assessments are conducted to identify the Point of Transaction (POT) where the Risk Management Theory needs to be applied.

POT require protection and to understand any document risks from default by client or delay by Client that may cause loss to the output of that transaction or may result into additional level of Procedure like — Auction of Shares, Pay in Problems, etc.

Risk Assessment Team:

Finquest Securities Pvt Ltd has developed a Group of people that are part of Risk Assessment Team and are continuously identifying for the potential Client Risk Areas. The team is also active for the Risk assessment for Information Security Procedures, Anti Money Laundering Standards and bifurcation of, client into Critical Level considering size and volume of



transactions, Nature of transaction etc.

Risk assessments have been conducted by teams composed of appropriate administrators, managers, staff and other personnel associated with the activities subject to assessment

Risk Assessment Fundamentals:

We define the following as:

Risk: Potential of any action or event occurrence which will adversely affect business

Threat: An action or event that will compromise desirable outcome of business process

Exposure: Risk — Control

We foresee the following are top threats which can adversely affect our functioning:

- Bad intent of Client / Fraud
- Un-due Exposure
- Problems with Pay in / Delivery

IV. Internal Control Plan & Procedures

This section addresses the security measures related to Client POT that are Identified by Risk Assessment Team.

A. Client Acceptance Policy

Finquest Securities Pvt Ltd strictly believe in full implementation of KYC norms and total observation of client risk levels. Finquest Securities Pvt Ltd has developed a Client Application form where in, total documentation for each category of client has been outlined and check list is being filled by the person who is collecting client application form.

- No account is being opened in Benami Name
- All the required details are being physically checked, marked and verified by different degree of persons from Client Account Opening section, Trading Division personnel and also from DP Division for the sufficiency and accuracy of Information. The individual client accounts are opened digitally.
- At both the Trading and DP Division, client reference needs to be checked
- Details about previous trading activity, experience in the trading, business outline, etc needs to be observed and reflected at specific places.
- Residential address, Office address, Phone numbers and PAN are needs to be verified at different levels of client opening.
- E-trading client needs to be separately educated for systems operations and importance of passwords and risk exposures of e-trading.
- In all our Client Application Forms, authority is being obtained for Usage of Funds / Shares at time of any of the Defaults by client for pay in and also Holding of Funds for outstanding payment obligations.
- We are giving training to our employees and sub brokers for the KYC requirement.
- We do not outsource client registration modalities.
- We have centralized KYC department at our Head office who entertain even walk in clients. We have given training to our employees and sub brokers for the KYC requirements. We



have prepared list of requirements for opening of accounts and we have mentioned the same in our client registration book. The documents are collected and account is opened as per KYC norms. We also verify original documents of clients as per In per Verification guidelines.

- For record keeping and retrieval of client registration document firstly we scan all documents and upload it in KRA and CKYC system.

B. Client Due Diligence

CDD is to be performed for KYC norms and internal observation of flow of transactions. As per latest circular from NSE, continuous tracking of Client transaction, verification of financial and correlating the same is part of monthly routine of Finquest Securities Pvt Ltd surveillance team.

For CDD the measures that need to be taken are as follows:

- a) Identify your customer and verify his Identity by using independent source document

Client needs to be identified for residence, business set up, reference etc and related proofs needs to be verified for completeness of KYC norms and correctness of information.

- b) Identify Beneficial Owner, verify his Identity and get information about ownership and control structure of your customer.

- c) Obtain information on the purpose of business relationship and more importantly intended nature of the same and also ensure that whether the customer is a politically exposed person.

Team has to perform for the business relationships, trading experience and whether client or nominee has been politically exposed.

- d) Undertake risk profile of your client by utilizing KYC document.

The same is to be done by collecting Financial of clients, bank account details, trading cycle and experience, mode of payment and volume with respect to each of these points.

- e) Adequate separation of duty is imposed between (a) back-office personnel responsible for trade reconciliation, margin, position limits, preparation and maintenance of books and records and other similar matters as well as compliance personnel, risk management personnel and treasury or funding personnel, and (b) personnel responsible for customer relationships. The authority of personnel in these areas are properly established. This will add CDD quality.

- f) Obtain sufficient information in order to identify person who is beneficially the owner of the transaction. Whenever it is being found that, the beneficially owner is different person than who is acquiring or dealing the security, the account needs to be scrutinized by the team for cross verification in detail and will be shifted at High-Risk Client Group.

Team has to finalize a list of client IDs who are segregated for detailed verification in a month considering Risk Profile and Activity conducted. Each of the client is demanded, for required information and necessary clarification pertaining to the activity undertaken in the respective account. Send all such writings by registered post and the details of the same with the list of IDs needs to be kept in the file for future reference.

Team has to verify the same by independent source document and following is insisted for detailed scrutiny:



- Client Information given at the time of account opening
- Bank and Depository Account details
- Investment / Trading Experience
- References: positive references of existing customers, friends
- Financial & Income Tax Documents and resolutions etc
- Photograph
- Proofs of identity and address
- MAPIN / PAN / Passport / Driving License / Ration Card
- Nature of Transaction being undertaken

g) Assessment of Financial Capabilities of Client:

Company collects any of the below applicable documents from the clients for assessment of financial capability of client.

- (a) Copy of ITR acknowledgement.
- (b) Copy of Annual Returns.
- (c) Copy of Form No. 16: In case of salary income.
- (d) Networth certificate from a Chartered Accountant.
- (e) Salary slips duly stamped, signed by employer.
- (f) Bank Account Statement for last six months showing health transactions
- (g) Copy of Demat Account holding statement.
- (h) Any other document substantiating ownership of assets.

C. Terminal

Orders are executed on phone. However, few clients used to come to our offices and give their orders in live market. We also have few clients who can place their orders online by themselves through internet. We even do call recording from all the locations for call trail purpose.

On the basis of margin given by the client, we allot them exposure limit.

We have allotted client codes in such a way that the client can be identified under which branch the client is registered. Moreover, at the end of the market hours, we used to call each and every client to give details about their trade. We also mention the same in the trade summary maintained by us.

We do not have any terminal outside India.

D. Client Orders into Live Trading Systems

At Finquest Securities Pvt Ltd, risk mitigation has been activated exactly at the point of transaction: i.e., at the point where actual buy or sale transaction took place. Live Surveillance system has been implemented to safeguard against the Undue Exposure by any of the Client of Finquest Securities Pvt Ltd, to track the client Exposure Limit and Restricting, any of the client from making transaction beyond the particular exposure level.

At the time of account opening and generation of back-office code etc., each of these Exposure limit, is being verified by the General Manager of, our company and there is routine scrutiny of Master Data Updatations by System Admin in case of change in Exposure limits of clients.

At the time of any of the order being placed at live trading platform, first the same is done by the nominated authorized person, having NISM registration certificate issued by the Exchange.

Regarding validation and other availability; the trading software has been purchased from the exchange approved vendors having related system configurations as prescribed.

E. Client Obligations: Payment Terms & Margin



To safeguard against various client obligations including payment and delivery issues, Finquest Securities Pvt Ltd has developed the environment as follows:

All the payment terms and margin collection are as per the latest guidelines provided by exchanges and SEBI.

- a) For client collections, we have a separate nominated account and there is Online Real-time system of Bank Reconciliation just to track any of the defaults by client.
- b) As per the Client Application Form and KYC policy of Finquest Securities Pvt Ltd, company has the right to Hold or Use funds / shares in case of any of the pending payment / delivery obligations that are not been fulfilled by our client

These Guidelines do not require any specific technology to be employed for the Security as, these steps are performed much before the Potential Client Risk Area and Finquest Securities Pvt Ltd has all the rights to HOLD fund / shares of client.

F. Collection and Delivery of Securities to Client

Finquest Securities Pvt Ltd also provides DP facilities and hence also observes the rule and concurrent audit for its DP operations. Pay in for the securities bought by client has been as per the T+1 settlement. The process of DRF, physical certificates, Delivery Instruction Slip etc has been separately governed by the DP guidelines. High value client, Demat client operations, off market operations are also separately checked by the DP head.

Off market transfers to be separately checked by verification team for the Anti Money Laundering requirement The reason for off market transfers are also to be verified by them for the control of, malfunctioning and any doubt, suspicion has to be informed to the top - management for necessary action.

G. Contract Notes

Bills are generated only from Head Office. Branch Offices are given right to print the contract note cum bills. After printing of the contract note cum bills, we send the same to each and every client within 24 hours of trade. We maintain the register of it and ask the client to sign in case of collection in person.

For outstation clients', we send the same via courier and maintain the Proof of Delivery of it. In addition to this, we are providing the facility for the verification of trades on our website.

The contract number is printed serially starting from 1 at the beginning of each financial year.

We regularly maintain duplicate contract notes and for acknowledgement of the same We maintain POD for the clients to whom we have sent the contract note cum bill via courier.

H. Statements of Accounts

The statement of accounts for funds and securities are issued on monthly or quarterly basis as per the preference selected by the client at the time of account opening. We send the statement with error reporting clause as per the prescribed format.

The statement explains the retention of funds/securities and the details of the pledge.



The statement of account is issued from our main office to all our clients. We send the same by e-mail & courier and maintain logs and POD for the same. In case of returned courier, we recheck the records and addresses and find out the reasons for return. After verifying the same with the client, we send the same statement again. In addition to this, we are providing statement of funds and securities to our clients as and when required by them.

We generally, do issue the statement of accounts soft copy.

I. Execution of POA (Power of attorney)

We are accepting POA from our clients Demat account in the name of trading member i.e. Finquest Securities Pvt Ltd

After obtaining POA, it is verified and uploaded into the system. The said POA is as per the guidelines preferred from exchanges and SEBI.

J. Opening & closing of branches

OPENING OF BRANCHES: Opening of own branches and granting Authorised Person location is carried out after a survey of a local market. When we receive inquiry for any new Authorised Person, the authorized officer gets details of that entity. We have certain rules and regulations which are to be checked. We ask them to fill up the separate form which we used to keep for the registration of new sub brokers which includes his contact details, office details, and experience in the securities market, details of deposits and other details which are important. It is the responsibility of individual branch manager who introduced the sub broker to check the genuineness or financial capability of the said sub broker. Then their Authorised Person registration papers are sent to the concerned exchange for registration. After receiving registration, we start sharing brokerage with that sub broker. We conduct regular inspection at each Authorised Person office.

CLOSING OF BRANCHES: In case of closure of sub brokers, we give advertisement in one newspaper as per the rules and regulations of Exchange for cancellation of sub brokers/ Authorised person. Further we write letter to their clients to intimate them about closure of the said sub broker and also ask them whether they wish to continue working with us directly or not. In case if the clients wish to continue their trading with us, they have to give us their consent in writing. And then we transfer the code of the said client in the list of our direct clients and start treating them as direct clients.

K. Brokerage Charged

We are not providing any brokerage schemes to our clients. Clients are charged brokerage as per SEBI guidelines. In our account opening form, we have separate page for the brokerage rates agreed by the client. It is signed by the client and verified by senior officer / authorized person.

L. Client Margin Information

We have updated client with the entire new margin requirement as per SEBI and Exchanges norms.

M. Collection and reporting of margins

Details of the policy and procedures adopted for collection of margins from the clients and details regarding the methodology adopted (separately) for calculation of value of margins received from the clients.



Details of the process adopted for reporting of margins collected from clients to the stock exchanges viz upload of margin file, timelines for such upload, correction in margin file uploaded etc

N. Precautions with respect to Dormant Clients:

All dormant accounts (inactive for twelve months and more) are made inactive in our system. Hence it is not possible to execute a transaction in dormant accounts. However, a client can re-activate his/her/its dormant account by giving us in writing in prescribed format to activate the account and also stating the reason for keeping the account dormant. With CDD again for the activation of such dormant client, the same can be made active for necessary operation etc.

O. Monitoring of Branches:

Monitoring of branches and sub-brokers should be as per the regulation. Finquest Securities Pvt Ltd has the customer Acceptance Policy and the same is also good for the selection as a Branch and/or as Authorized Person.

The basis requirement for a branch is to have a decent setup, location and approvals for IT setup and the last sanction is done by the top management of Finquest Securities Pvt Ltd Authorized Person has the requirement of margin and minimum trading experience of 5 years with all the undertakings and CA certified financials.

Monitoring to be done every fort nightly by the physical visit at the ideation.

Systems audit has been done every year by the qualified independent systems auditor by taking physical visit and the same is for the systems requirement and usage of the software. The main control implemented by the company is that systems auditor has to go physically for the verification of utility and has to make sure that there is no violation of exchange requirements.

Employees at the branches are on the payroll of the company and Finquest Securities Pvt Ltd has implemented NISM requirement at each of the level of employee dealing with trading aspects.

P. Operations & Compliance Requirements:

Daily and monthly uploads as per the requirement of exchange to be done by the 'team of systems head.

PMLA for maintaining climate of anti money laundering, to appoint a senior management officer designated as 'Principal Officer'. Principal Officer shall be located at the heed/corporate office of the Finquest Securities Pvt Ltd and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. It should also be ensured that there is proper system of fixing accountability for serious lapses and intentional circumvention of prescribed procedure; and guidelines.

Annual submissions, Insurance cover, Net-Worth certificates, Margin req. etc to be submitted as per the schedule prepared by the company. The submissions are at least a week before the final deadlines.

As a internal control, system generated mails are sent to the authorized person, concerned



top management and also the compliance officer of the company. Mails / alerts generated by the Exchange also work as part of the Internal control tool.

V. Disaster Recovery Plan & Emergency Procedures

As part of ongoing business continuity planning, Finquest Securities Pvt Ltd has prepared periodically updatable plan for recovering from a disaster that renders certain resources unavailable for an unacceptable period of time.

Recovery plans are addressing the failure of Essential Electronic Information Resources and are included in companies Disaster Recovery Plan.

The Disaster Recovery Plan include provisions for implementing and running Essential applications at an alternate site or provisions for equivalent alternate processing (possibly manual) in the event of a disaster or other interruption that renders normal processing inoperable for the period of time specified in the designation of the Electronic Information Resources as Essential.

Projected Disasters:

Earthquake
Fire
Riots
Human Mala fide intent

Considering importance of activities and Essential resources, the DRP has been divided into following three parts:

a) Emergency Plan:

- Urgent information to top management and police, fire fighters, doctor for occurrence of disaster. We have a nearby Police station at Satellite: within a range of 2.5 Km from the Finquest Securities Pvt Ltd House.
- It is made clear that, System Head to be informed and information to be given by any of the person from Finquest Securities Pvt Ltd on knowing the disaster.
- Response time to be minimal.
- Detachment of Servers and LAN nods.
- Termination of power supply, removal of important files, documents and shutting down of the whole network.
- The same to be done only by the System Administrator and in absence of him any of the staff from system developer team.
- Emergency action plan team
- Following are members of the fast action team on any of the disaster and they are responsible for all the transfers and secure removal of other staff, managers out of the affected location.
- Except the members of action team, rest of the staff has to leave the premises urgently after shutting down of their related equipment's and nods.
- Emergency action plan team has to evaluate for removal of Essential assets on the basis of the situation at disaster site and important file, document, hardware



(already marked and circulated) etc has to be removed out of the disaster location.

b) Back up & Recovery Plan:

- After the removal of listed Essential assets the hardware and other facility has to be assembled at secure location: at the premises selected as above.
- Emergency action team, mainly with the System Administrator has to gather back up resources and perform checking of the same.
- Priority of the backup systems:

In case of live market scenario	In case of off market scenario
Restoration of Manager Server	Restoration of Back-office server
Restoration of database	Restoration of Manager Server
Restoration of CTCL application	Restoration of database
Restoration of Back-office server	Restoration of CTCL application

- The above backup and recovery have to be managed in a timeframe of around 2 hours and the same is fixed after the consultation of Systems Head.

c) Test Plan:

- Every year, both the above plans: Emergency and Back — Restoration has to be tested
- for the functionality and smooth operation.

VI. Internal Control on Access to Data and IT resources:

Access Controls

Access to Restricted Electronic information Resources and data retained within or accessible through these Information Resources must be limited to Authorized Users. Authorized Users and their specific level of privilege are specified by the Electronic Information Resource Proprietor, unless otherwise defined by our company's policy.

Such access must be controlled with secure means of **authentication and authorization**. Authentication is the process of confirming that a known individual is correctly associated with a given credential, for example, by use of passwords to confirm correct association with a user name or account name.³ Authorization is the process of determining whether or not the identified individual or class is authorized to gain access to an Information Resource, and determining what type of access is allowed, e.g., read-only, create, delete, and/or modify.

It is a violation of these Guidelines for Users to attempt to gain unauthorized access to any Electronic Information Resources or in any way damage, alter, or disrupt the operations of these Electronic Information Resources. It is also a violation of these Guidelines for Users to capture or otherwise obtain or tamper with passwords, encryption keys, or any other



waits control mechanism that could permit unauthorized access, except where expressly required in the performance of their duties, such as when systems personnel need to provide access to Electronic Information Resources when passwords or other keys have been lost or misplaced.

Modifications to Restricted data should be performed according to established procedures like: System administrator has to document for the Change Request and the reason for need of change, Modifications are by approved person only etc. For the same it is decided that, client has to fill a change request form for required changes in master data of client. Company will maintain the same for any future inquiry.

<MEMBER NAME> has implemented these Guidelines with encouragement, where deemed appropriate, for use of system logs to assist in monitoring logs to Electronic Information Resources and for access to data retained within or accessible through such Resources.

a) Password Policy:

- Every fortnight there is compulsory changing of password for the CTCL client
- Systems Administrator has to take password awareness programs for the benefit of all the users and staff of Finquest Securities Pvt Ltd
- It is highly prohibited to write password on the Desktop or on the table.
- No employee is allowed to share the password.
- Password is defined to be of minimum 8 characters AND alphanumeric in nature
- Operating system is being configured considering Need to know basis for the access through passwords.
- Change Password history is to be maintained.

b) Policy on Database Access:

- Neat database has the internal access controls as per the application-level security and the same is introduced by the respective approved vendors.
- The database access is available only to the Systems Administrator and Systems Head and not to any of the CTCL client.

