

Internal Controls

1. Details: Background of company

Pace Stock Broking Services Pvt. Ltd. was established in 2000 and has emerged as broking house in the country. The number of clients runs in several thousands. The registered office is situated in Gurgaon, Haryana.

2. Funds: System of Pay in and Pay out of Funds

a. Clients pay out is released using various modes like Cheques , CMS , RTGS, NEFT, FT as and when there is credit balance after considering necessary margin on open positions of clients. However, clients who have requested us in writing that funds should be released on their convenience only are paid on demand only. All payments are released only to registered bank account of client.

b. Pay in from clients is collected by various modes like Cheques, RTGS, NEFT, FT etc. as and when due and accounts executives are given this responsibility of collection at HO level as well as Branch level. Credit is given after verification of source account.

c. Margin is collected from clients on daily basis. Client is given option to pay by shares or by funds and proper records are maintained.

d. Funding to clients is not done by us.

e. Dividend received on securities of clients are transferred to clients' accounts on same day.

f. In case of default by client or Sub broker, oral, telephonic and written reminders are sent to client / Sub-Broker and in case of no proper response legal notice is sent and then proceedings for recovery is started.

g. Sub- Brokers' commission is released on monthly basis after deduction of TDS.

h. No third party transfers are done at all .

3. BOLT Terminal: Procedure of Accepting & Placing of orders

In all offices we have authorized persons who are TERMINAL operators. These TERMINAL operators who attend to Clients' Orders have been assigned Clients and Clients have been advised to contact particular person for placing/modifying/canceling their sales/purchase Orders.

Every TERMINAL operator would first ensure that person contacting personally / over phone is client himself. The orders are entered on the trading system with due care regarding the security, quantity, rate etc. Confirmation for execution of market orders is given immediately and limit orders are confirmed upon execution.

No order to be entered at unrealistic rates even if instructed by the client. In case of orders being executed in the wrong code the same is rectified immediately upon identification.

Only orders that meet the risk management parameters are accepted based on the balances of the clients.

4. Contract Notes

Contract notes are issued to the clients as per the regulatory requirement within 24 hours of execution of the trade. The clients are issued Electronic Contract Notes and physical contract notes.

For F&O segment contract notes are issued in Electronic as well physical form to all clients.

In case of bounced mails, physical contract notes are issued to the clients.

A contract note shall be signed authorized signatory. Names of these authorized signatories will be printed on the Contract Notes.

Contract note is time stamped with the time of receipt of order and the time of execution of order.

The contract notes is numbered with unique running serial number commencing from one at the beginning of every financial year (v.i.z. April to March).

Printing of contract notes is centralized. Dealing Office address is printed on the Contract Notes. Electronic Contract Notes sent logs are maintained and kept at-least for 5 years and Physical contract notes are sent through Indian postal services and acknowledgement of same are kept.

Contract Notes will indicate brokerage charged to the Client.

5. Securities: System of Pay in and Pay out of Securities

a. Securities are received from clients for Pay in and as Collaterals. Credit is given only if securities are received from registered Dmat accounts. If securities are received from unregistered accounts then securities are transferred back to the same account.

Delivery for payout is given to the clients in their registered Demat accounts only. The securities are delivered to the clients within 24 hours

of receipt from the clearing corporation except in case of clients that have requested the retention of securities in writing.

b. We maintain two separate beneficiary accounts - for own and for Clients.

c. Client wise segregation of securities is maintained.

d. Clients securities are accepted from and released to clients only in those accounts which are registered with company. We have pre-credit check in our software whereby third party debits are automatically rejected.

e. We ensure that a client's securities are not mis-utilized for own purposes and for any other client. Securities in excess of those received from a client to meet his obligations are not utilized in any other account and return back to client if no request is made for retaining.

6. Introduction / Registration of clients

At HO and Branches experienced persons are entrusted with the work of Registering New Clients.

We have a combined Form for registration of clients on various exchanges and segments.

a. The prospective client is interviewed by our official, who obtains the duly filled KYC form along with the MCA/TPA, RDD and other supporting documents.

b. Originals of the Documents submitted are required for Due Verification at the time of submission of the KYC.

- c. Copy of MAPIN UIN Card / PAN Card / Passport / Driving License / Voter's Identity Card (for Individual / Proprietor / Partners / Directors / Karta / Trustees / Authorized Persons as the case may be as a Proof of Identity).
- d. Copy of Passport / Driving License / Voter's Identity Card / Ration Card / Bank Passbook / Rent Agreement / Flat Maintenance Bill / Telephone Bill / Electricity Bill (for Individual / Proprietor / Partners / Directors / Karta / Trustees / Authorized Persons as the case may be as a Proof of Address).
- e. Copy of a Cancelled Cheque Leaf / Bank Statement / Bank Passbook containing Name of the Client as proof of bank A/c.
- f. Copy of Demat Account Statement / Account Opening Letter for all the Demat Accounts for which Details are furnished.
- g. Copy of Annual Reports and Balance Sheets for Last 2 Financial Years and Income Tax Return for last 2 Financial Years (Copies Annual Reports & Balance Sheets to be submitted every Year) (for Non-Individuals)
- h. Copy of Latest Shareholding Pattern including List of all those (including their Photographs) holding more than 5% in the Share Capital of the Company and Persons authorized to deal in Securities / Contracts, duly certified by the Managing or Whole time Director or Company Secretary (updated Shareholding Pattern to be submitted every Year for Corporate)
- i. Copy of the Partnership Deed (for Partnership Firms), Copy of Memorandum and Articles of Association and copy of the Board Resolution approving Participation in Equities / Derivatives Trading and naming Authorized Persons for Dealing in Securities (for Corporates)
- j. Any Overwriting, Corrections, Deletions are to be countersigned.
- k. Annexure may be used if the Information does not fit within the space provided.
- l. Signature on all pages of the Agreement and other locations are obtained from the constituent.

- m. Forms incomplete in any respect are rejected and are registered only after ensuring that the same have been completed in all respect.
- n. In person verification is done by employee of the company for every client.
- o. KYC docket along with the supporting documents are sent to concerned branches for final verification, signing and further processing.
- p. The clients are de-duped with the list of persons barred by SEBI and UN Security Council.
- q. The AML compliance with regards to identification of the client as a high risk client is carried out. Accounts of foreigners are not allowed to be opened.
- r. Client code is allotted to the client and the UCC is uploaded to the Exchange.
- s. A copy of the KYC docket containing the KYC Form, the MCA/TPA and the RDD along with the other documents is sent to the client with the welcome letter and the login id and password. The client is instructed to verify the details like the Name, Address, Bank and Demat account details, PAN etc. and report in case of any discrepancy.
- t. An SMS about the issuance of the welcome kit is also sent to the client.
- u. We do not outsource client registration process.
- v. We do entertain walk-in clients but do not accept them without proper references and in person verification as mentioned above.
- w. Record keeping and retrieval of client registration documents is handled by a professional agency.

7. Internet Trading

- a. Internet trading is allowed to those clients who give written request for the same.

b. Before commencing of trading through internet, ITORS agreement is entered with clients.

8. PMLA:

As per attached policy.

9. Execution of POA (Power of attorney)

a. Execution of Power of attorney is voluntary and can be done at the time of account opening or thereafter. In case of Power of attorney, the details are updated in back office package and given effect accordingly. Further client can revoke power of attorney at any time.

b. We are having fully automated process for movement of shares on basis of Power of attorney whereby movement has to be correlated with financial transactions. Further, senior and trusted person only are assigned with this job.

10. Opening & Closing of branches

a. Whenever any proposal for opening of a new branch is conceived, a projection sheet is prepared depicting the proposed cost revenue analysis, the proposed services to the new clients etc.

The proposal is discussed in the Branch Appraisal committee meeting, consisting of directors and other senior persons of the company. The committee gives its approval to the proposal only when it is fully satisfied about the improved services to the prospective clients.

After the approval is received from the committee, the proposal is given to the zonal heads, under the supervision of the Country head, for

implementation. All the activities of opening of new branch are carried out in a professional way.

b. Whenever any branch is closed a notice to that effect is displayed in the branch premises one month in advance.

There after all the clients are called on telephone/emails informing about the closure of branch, they are given proper information regarding the contact numbers after the branch is closed.

Normally the clients are mapped with our other nearby branch and the clients are informed about the same along with the concerned contact person for future dealings.

11. Closure of client accounts / dormant accounts

a. Closure of accounts is done on a request letter duly signed by client. Account is settled and cleared and the back office deactivates the client ID. After closure of account a confirmation is sent to client either by e-mail on registered ID or through courier.

b. In case of dormant accounts having no operation during last six calendar months we mark it as inactive account. And no operation is permitted in an inactive account except collection of dividend on securities and debiting of charges if any. An inactive account can be activated only on written request from client and before reactivation we verify client's particulars again.

c. In case of dormant accounts for more than two years if request for reactivation is not received within two years from deactivation of account we deregister the client after informing him at his last known address.