INTERNAL CONTROL POLICY

Swastika Investmart Ltd. is a listed company carrying its stock broking and other activities as member of National Stock Exchange (NSE) cash, equity derivatives and currency derivative segments, Bombay Stock Exchange (BSE) Cash segments, DP- CDSL, NSDL and a SEBI registered Portfolio Manager.

The objective of framing this document is to effectively manage the various risks involved in the business operations which may include default by clients, fraud and infidelity by employees, technological failures, misuse of trading system for market manipulations apart from protecting the interests of investors and ensuring the effective and timely compliance with various applicable Acts, rules, regulations, bye-laws, circulars and guidelines.

This document i.e. Internal Control Policy, shall be the official guidelines, policies and procedures to follow by the company while carrying out its business activities.

This policy will be applicable on all the persons involved in day to day operations of the company and all the activities namely client identification and introduction, surveillance, record keeping and the personnel in charge of executing and authorizing the day to day transactions as well as by the business associates such as Sub-Brokers, remisier, Authorised Persons etc. who are involved in the above mentioned activities. The Compliance Department will provide the copy of this policy to all such existing as well as new Personnel and Business Associates from time to time and explain the contents and their responsibilities in this regard.

1. Registration of Clients.

a. It is a policy of the company to promote direct as well as sub-broker and franchisee based business.
b. The due diligence of the direct clients shall be done by the authorized persons of the company. Due diligence of the prospective clients will include their financial standing, risk profile, past and present stock market as well as other business activities, their reference from commonly known person and shall evaluate suitability of the proposed nature of their dealings in the context of information gathered as above. The due diligence of the clients introduced by the sub-brokers, Authorised Persons and Remisiers shall be on the same line by them.
c. In addition to the due diligence carried out by the intermediaries, the officials in charge of client registration at head office shall carry out further due diligence, if required, while verifying the KYC documents.
d. KYC procedures as prescribed by SEBI/Stock Exchange/Depositories are to be strictly followed while ascertaining the identity and verifying the proof of address of the new clients.
e. While opening the depository and trading account the title of the account shall be maintained in the same style and pattern as it appears in the record of Income Tax.

f. At the time of account opening the name of the client may be searched through the Internet search engines and the results, if any may be reviewed in the context of past business activities and regulatory actions, if any.

g. Identity Proof of Banking Account and Demat account shall be obtained before entering the details of bank and demat account in the client master database.

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

a. Normally, the new clients shall be assigned and introduced to a specific terminal operator and the operator shall be briefed about client's requirements for trading, investments and his risk taking abilities. Accordingly the terminal operator shall, under instruction from the concerned senior official, allow the client to place the orders according to the RMS Policy of the company during the live market through oral or telephonic instructions.

b. The sub-brokers and Remisiers, who are registered as terminal users with the exchanges, shall be allowed to operate the terminal and place the orders in the respective accounts and in the accounts of their clients on the basis of the risk profile of their clients, according to the RMS policy of the company and according to their written, oral or telephonic instructions.

c. Contract printing is done in decentralized way. Our branch offices print the contract notes of their own. We have centralized system of sending digital contract notes to all our clients. Bounced mail if any are traced and immediately the hard copies are sent to all those clients. Logs of DCN maintained.

3. Collection and Release of Payments to clients

a. The client shall be asked to make the full payment as per the daily debit obligation on T+1 basis.

b. The pay-out of funds shall be made to the clients after receiving payout from the exchange.

c. The exchange/segment wise segregated ledger account shall be maintained with an option to view the all exchange/segment merged position.

d. Under written authorization from the client, the pay-out of funds can be retained for margins and/or future pay-in obligation and for collection and release of funds the account shall be maintained on a running account basis with all exchange/segment net balance criteria. The inter exchange/segment Journal Entry shall be passed at the end of year or when required.

4. Collection and maintenance of Margins.

a. The requirement of collection and maintenance of margins in Cash/Capital Market segment is waived in general. However, after taking into account the conduct of the account, size and frequencies of trades, category of scripts and financial standing of the client, the directors/senior officials may decide to collect the margins in any form on a case to case basis.

b. The margin collected and maintained in derivative segment as per the applicable rules/ regulation of Exchange and SEBI and according to RMS policy of the company.

c. In case of the clients having relatively large volume and regular trading activities, the payout of funds and securities shall be retained towards the upfront and daily margins under the written authorization from the clients.

5. Collection and delivery of Securities to the clients.

a. Collection of deliveries of securities from clients shall normally be called from the clients on T+1 basis.

c. Securities pay-in 'Overdue Obligation' statement will be generated one day as well as one hour prior to the pay-in schedule and a reminder will be given to the respective clients.

d. Deliveries of securities to the clients shall be made on T+2 basis and as far as possible the deliveries shall be given to the clients directly from the pool account.

e. In case of the clients who have given written authorization for retention of securities towards margin and/or future pay-in obligations, the pay-out securities of such clients shall be moved and retained in the separate BO account designated as 'Client Beneficiary Account'.

f. our back office system gives us the track of the entire transactions and it is segregated client wise and script wise which is reconciled on weekly basis. Our system does not allow to acceptance any third party delivery. DP Id of the client and the client ID is mapped only after proper verification of the proof of demat account.

6. Operations & Compliance Requirements.

a. The day to day operations are being looked after by the Managing directors Mr. Sunil Nyati.

b. The on-line surveillance desk is to be monitored by the manager (RMS) where real time client wise / scrip wise position, Mark to Mark, Margin requirements, available margin and exposure limits will be monitored for all applicable segments of all exchanges.

c. Various types of limits on trading terminals are being set up on the basis of available fund and securities in clients' accounts and same also monitored and updated during the live market.

d. As off line risk management reports are generated which enables to have a quick look at a glance for the status of any individual account or a group of account or for the clients of particular sub-brokers across all exchange/segment.

e. The various compliance requirements of all the exchange/segments shall be ensured by the compliance officers under the supervision of the Managing Director Mr. Sunil Nyati.

7. Banking Operations and Payment of Dividend etc.

a. Credit shall be given in the ledger accounts of the respective clients on the basis of entry given by client as well as sub broker, authorized person or remisier and after verification of the detail of bank account with the detail available in back office.

b. All the bank account shall be reconciled on a daily basis. Fund belongs to clients maintains in separate client bank accounts.

c. No third party cheques/ fund will be accepted.

d. One competent employee dedicated for the banking operations shall remain present in or around the clearing bank and ensure the availability of sufficient funds in all the clearing and clients' accounts.

e. The person in charge of banking operations shall monitor the returned cheque counter at the bank at every clearing schedule and intimate the head office immediately about the instances of return of deposited Cheques for the necessary follow-up actions.

f. The instances of return of issued Cheques, if any shall be taken very seriously by the senior management and will investigate the reasons and take the required steps to avoid the recurrence of such instances in future.

g. The ECS credit of dividends shall be passed on immediately at the time of bank reconciliation through journal entry in the account of relevant clients.

8. **PMLA**

a. Principle Officer is appointed, intimation of the same has sent to FIU INDIA and a written policy for prevention of money laundering (PMLA) is adopted.

b. Measures will be taken with regard to Anti money laundering Act and PMLA policy of the company.

c. There will be a System of keeping a check on Volume of trading done by the client is in proportion to his financial details as disclosed in the KYC.

d. There will be a system to report to FIU INDIA regarding any Suspicious Transaction Report (STR) found.

e. There will be a system to do Risk categorization of clients manually.