

INDBANK MERCHANT BANKING SERVICES LIMITED

INTEGRATED RISK MANAGEMENT POLICY

INDEX

| Sl. No. | Content | Page Number |
|----------------|---|--------------------|
| 1 | Introduction, Objective & Review | 2 |
| 2 | Organizational Structure | 2 |
| 3 | Market Risk | 3 |
| 4 | Credit Risk | 3 |
| 5 | Operational Risk | 4 |
| 5.1 | General Operational Risk & Mitigation | 4 |
| 5.2 | Individual areas of Operational Risk & Mitigation | 6 |
| 6 | Regulatory Risk | 14 |
| 7 | Compliance Risk | 14 |
| 8 | Creation of Awareness among Employees & Customers | 14 |
| 9 | Information Technology Policy | 15 |
| 10 | Insider Trading | 15 |
| 11 | Disclaimer | 15 |
| 12 | Conclusion | 15 |

INDBANK MERCHANT BANKING SERVICES LIMITED

INTEGRATED RISK MANAGEMENT POLICY

1. Introduction

1.1 Risk Management is a continuous systematic and proactive process to understand measure, manage and communicate risk from an organizational perspective. Due to its diverse nature of operations, the company faces various risks like market risk, credit risk, operational risk etc. These risks are highly interdependent and events that impact one area of risk can have ramifications for a range of other risk categories. Risk Management aims at maintaining sound capital to mitigate these risks through identification, measurement or quantification and effective monitoring. Risk Management is practiced through well-laid down policy guidelines for various operations and internal control systems & procedures.

1.2 Objective

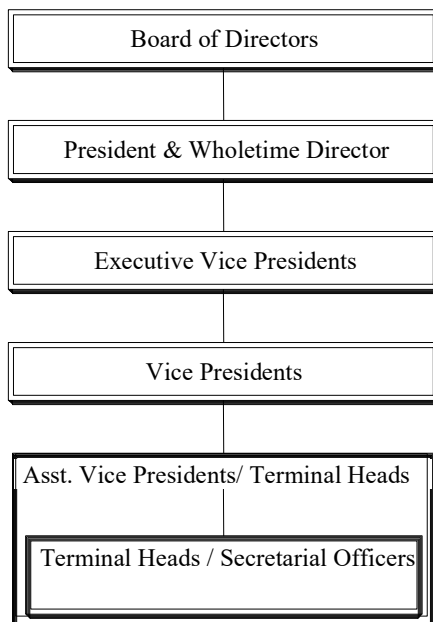
1.2.1 Integrated Risk Management is an ongoing assessment of potential risks for an organization at every level and aggregating these results at the Registered Office level to facilitate priority setting and improved decision making. These processes are put in place with the ultimate goal of protecting the interests of the organization in the short run and enhancing shareholders value in the long run.

1.3 Review

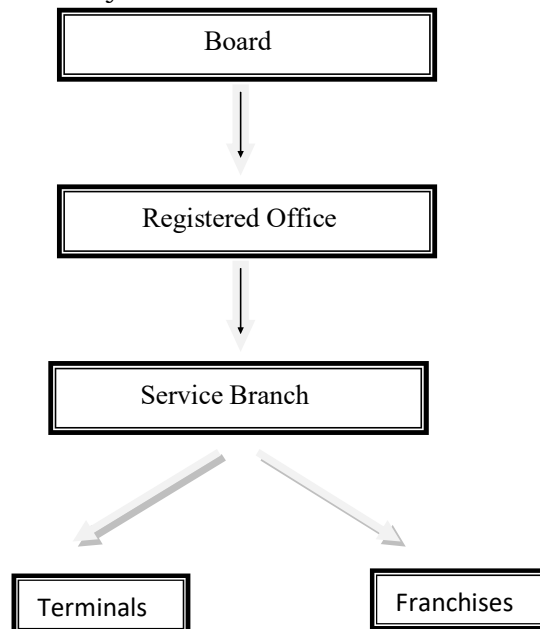
1.3.1 The integrated risk management policy shall be reviewed every two years. The review shall incorporate the modifications/amendments to the SEBI, NSDL, RBI and other applicable guidelines. The updated policy shall be placed before the Audit Committee of the Board / Board of Directors for approval.

2. Organizational Structure

By Designation.



By Function



The current operations of the company predominantly comprise stock broking and depository services which account for major share of the client base and income. All the terminals undertake only Broking and DP operations. Only Registered Office and Mumbai terminal undertake Merchant Banking & Advisory services too.

3. Market Risk

3.1.1 Under broking the common market risks are Higher Volatility, Lower Liquidity, Wider Spreads, Fragmented Markets, Parallel Trading, News and Sentiments etc.

3.1.2 Under Merchant Banking, DP and Distribution of Mutual Fund & other Investment Products, the market risks are the risks associated with the respective issuer companies, corporates and their investment products.

3.1.3 SEBI, NSE, NSDL and other stock exchanges issue various circulars and guidelines from time to time highlighting among others the market risks acting as caution and information to the intermediaries and the investors at large. Some of the risks and their impact have also been made mandatory for disclosure in the offer documents by the Issuers and in the agreements to be entered into with the clients by the intermediaries. SEBI issued Risk Disclosure Document for Capital Market and Derivatives Segments, Guidance Note- Do's and Don'ts for Trading on the Exchange(s) for Investors and Rights and obligations of Stock Brokers, Sub-brokers and Clients which is being handed over to the Investor at the time of opening trading account. These documents act as information and counseling to the clients on the various risks associated with stock market transactions.

3.1.4 Risk Management Process

The company has fixed prudential limits for giving exposure to its clients and also has a elaborate collection process as detailed under Operational Risk manual for mitigating the risks. The exposure norms prescribed by various statutory authorities are being adhered to.

4. Credit Risk

4.2.1 The credit risk associated with broking comprises failure of the client, intermediary, clearing agents and the exchanges in meeting their respective payment obligations. The regulatory authorities tackle this major risk by:

- i) Stipulating capital requirements for brokers and clearing agents in the form of share capital, deposits with exchanges and guarantees.
- ii) Establishment of settlement guarantee funds for the exchanges
- iii) Establishment of a mechanism for risk free, fool proof settlement
- iv) Stipulating margin requirements for the clients
- v) Establishment of supervision & monitoring systems

The credit risk at IBMBS with respect to broking and DP is addressed through the laying down of guidelines relating to opening of accounts, rating of customers, fixing margin requirements, exposure norms and also the monitoring & supervision of the adherence of the guidelines.

5. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. These arise due to the various types of human or technical errors. Internal processes include activities relating to accounting, reporting, operations, tax, legal, compliance and personnel management. In IBMBS, the identified areas of operational risk and their management are broadly classified into two

5.1 General Operational Risk - Risk due to operation undertaken by IBMBS

5.1.1 The General Operational Risk and the mitigation measures undertaken by the Company are furnished below:

5.1.1.1 Non-adherence to systems and procedures

Copies of the policy guidelines and operations manuals framed by the company have been supplied to the terminals. The terminals have been strictly advised that the systems and procedures prescribed must be scrupulously followed by all the staff and the supervising officials should ensure that no deviations are allowed. The terminals have been advised to keep all the guidelines readily accessible and follow them meticulously.

5.1.1.2 Lack of internal controls

Adequate internal control systems have been put in place in IBMBS and the same is reviewed periodically for rectification of the defects if any and for improving the internal controls. Compliance audit of NSDL requirements are carried out by the internal auditors on a half yearly basis and their report is submitted to NSDL along with the replies. Compliance audit of Capital Market and Derivatives Segments are carried out by the internal auditors on a half yearly basis and their reports are submitted to NSE, BSE along with the replies. The internal audit reports on periodical basis are reviewed along with the replies and action taken report of the operations at the Registered Office level and placed to the President and the Audit Committee on periodical basis. NSDL itself carries out periodic audit of the depository functions of the participants. Exchanges also carry out periodic audit of trading operations of the members.

5.1.1.3 Poor documentation

Incomplete and / or improper documentation is another area of operational risk. Internal audit of the branches and terminals points out the documentation irregularities, if any, which are rectified by the branches immediately. The same is monitored at the Registered Office level.

5.1.1.4 Computer & Systems failure

With the entire operations covered under computerized environment, it is of paramount importance that foolproof systems are in place to ensure that all the offices are in a position to render uninterrupted service to the customers. To mitigate any possible risk in this regard, IBMBS has taken the following measures:

- a) All computer systems, peripherals and software are maintained by reputed agencies through annual maintenance contracts.

- b) Systems are protected from power failure / fluctuations, which may result in data loss / data corruption, through provision of UPS systems.
- c) Back up of data being taken at periodic intervals and stored, both onsite and offsite, to ensure business continuation, in case of need, with least delay and difficulty, as part of disaster management system.
- d) Password protections and information security system have been formulated & put in place, to prevent unauthorized access to data.
- e) Off-site Data Centre has been established for providing 24x7 services to the customers.
- f) IBMBS has changed its Trading front office software from ODIN to NOW (Neat on Web – software provided by NSEIT, a subsidiary of NSE) which is directly linked to NSE Server. NSE is having its own Disaster Recovery Site and the requirement is taken care of by NSE itself. With regard to Back office software, our systems are running with auto fall back in Reliance Data Centre, Nungambakkam. Hence no separate DR site needs to be maintained.

5.1.1.5 Lack of substitute / succession

Human resources are the key factor that determines the quality and success of a business. Continued availability of good quality manpower for the various functions is required for smooth functioning and for a sustainable growth of an organization. At IBMBS this is addressed by providing/recruiting adequate trained personnel for the various functions with due substitution wherever and whenever required.

5.1.1.6 Customer due diligence failure

Stock Exchanges and NSDL have issued detailed circulars for due diligence with respect to opening of accounts and conduct of business. The terminals have been strictly advised to ensure compliance of the same and it is also monitored through internal audit on a monthly (quarterly) basis.

5.1.1.7 Lack of Corporate Governance

In addition to the existence at the Registered Office level, the principles of corporate governance are practiced at the terminal level also, to prevent occurrence of frauds and other losses by adherence to systems and procedures, supervision by terminal incharge, internal audit, compliance of guidelines and manuals and prompt submission of control returns. Terminals have been advised to work as a team with transparency in operations providing quality service to the customers.

5.1.1.8 These operational risks are mitigated through:

- a. Formulation of policy & operational guidelines for all areas of operations
- b. Laying down proper delegation of powers in carrying out operations
- c. Monitoring of operations at the field level
- d. Centralisation of key back office operations at Registered Office, Chennai for ensuring uniform quality service.
- e. Centralisation of demat and trading accounts opening, DP operations and funds pay out to clients at Service branch, Chennai for ensuring uniform quality service.
- f. Surveillance through periodic MIS, internal audit and inspection of the various areas of operations.
- g. Indemnity policy covering the risk wherever possible
- h. Creation of awareness and Training of staff on a continuous basis

5.2 The individual areas of operations, risk measurement and their mitigation measures are given below

5.2.1 Merchant Banking & Advisory services

IBMBS is a Category 1 Merchant Banker registered with SEBI. IBMBS undertakes:

5.2.1.1 Acting as Merchant Bankers:

- a) Under various capacities like Lead Manager, Co-Manager, Advisor, Arranger etc. for public issues, rights issues and private placement.
- b) For acquisition of shares & takeovers under Securities Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, Securities Exchange Board of India (Buyback of Securities) Regulations, 1998 and Securities Exchange Board of India (De-listing of Securities) Guidelines, 2003.
- c) For Employee Stock Option Scheme / Stock Purchase Scheme by Corporates under the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999.

5.2.1.2 Advisory Services:

- a) Valuation of shares & other financial instruments
- b) Syndication of Loans
- c) Stock Audit
- d) Mergers & Amalgamations
- e) Project Counseling, appraisal and feasibility studies.

Under Merchant Banking, IBMBS is governed by SEBI (Merchant Bankers Rules), 1992, SEBI (Merchant Bankers) Regulations, 1992, Guidelines issued to Merchant Bankers and Lead Managers prior to issue of codified RBM (GI Series), SEBI Guidelines, Rules and Regulations primarily governing companies and the relevant circulars issued by SEBI from time to time.

5.2.1.3 Risk Mitigation Measures:

- 5.2.1.3.1 Before taking up an assignment under merchant banking, Merchant Banking Division at Registered Office / Mumbai Terminal and such other terminal shall take an in-principle approval from the President & Whole Time Director for undertaking the assignment.
- 5.2.1.3.2 The procedures and formalities required under the various regulations applicable from time to time shall be taken into account and ensured that they are complied with in full, while handling the assignment.
- 5.2.1.3.3 Due care and diligence, as may be required, shall be exercised in preparing the offer documents after obtaining and verifying the required details.
- 5.2.1.3.4 While undertaking Merchant Banking assignment, the manual of instructions issued by Indian Bank for Merchant Banking services has to be taken for overall guidance, with necessary modifications as may be required to comply with the changes in the various regulations.
- 5.2.1.3.5 In case of any doubt or clarification, Company Secretary & Compliance Officer at Registered Office or the regulator concerned should be approached.
- 5.2.1.3.6 The Compliant Register will be maintained at all the offices where merchant banking & advisory services are undertaken for recording the details of the complaints received and redressed thereof.

5.2.1.3.7 The Due- Diligence records of both pre/post issues/ assignments shall be maintained for a minimum period of 5 years for all merchant banking activities as required under Regulation 16 of SEBI Merchant Bankers Regulations.

5.2.1.3.8 Post issue monitoring as per SEBI regulations

5.2.2. Stock Broking Activities

IBMBS is a SEBI registered member of National Stock Exchange of India (NSE) and Bombay Stock Exchange (BSE).

Under broking, IBMBS is governed by SEBI (Stock Brokers & Sub Brokers) Rules, 1992, SEBI (Stock Brokers & Sub Brokers) Regulations, 1992, SEBI Circulars and Circulars issued by Stock Exchanges from time to time.

The stock broking operations are subject to the payment risk, delivery risk, margin and exposure risks. These risks are mitigated by following detailed procedures given below.

5.2.2.1. Account Opening

The guidelines issued by SEBI / NSDL / NSE / BSE as relating to account opening and operations in the account are to be scrupulously adhered to. Before opening an account, a due diligence of the applicant shall be made specifically with respect to KYC requirements namely PAN Card, identity proof, address proof, reference, etc. Wherever required, discreet enquiry may be made in the market and / or enquiry with the applicant's bank. Mandatory details & information required are to be obtained and recorded without any discrepancy. The KRA guidelines and requirements have to be strictly followed and adhered to.

IBMBS has formulated a comprehensive Anti Money Laundering (AML) Policy, which details the governing principles, broad guidelines and standards adopted by the Company for acceptance of clients, Client Identification Procedure, Risk Profiling and reporting of Suspicious Transactions & High Value Transactions.

5.2.2.2. Client Classification

Before opening a trading account, a due diligence of the applicant shall be made specifically with respect to identify proof, address proof, reference, etc., as per the stipulations issued by Stock Exchanges where we are members, from time to time. Wherever required, discreet enquiries could be made in the market and / or enquiry with the applicant's bank. The tax returns and property documents could be referred to know about the financial soundness of the client. SEBI issued Risk Disclosure Document for Capital Market and Derivatives Segments, Guidance Note- Do's and Don'ts for Trading on the Exchange(s) for Investors and Rights and obligations of Stock Brokers, Sub-brokers and Clients which is being handed over to the Investor at the time of opening trading account act as information and counseling to the clients on the various risks associated with stock market.

In accordance with the Policy Guidelines on Prevention of Money Laundering laid and Based on risk perception, customers are categorized into three levels

- ✓ Low Risk Customers
- ✓ Medium Risk Customers
- ✓ High Risk Customers

The procedures prescribed in the Policy Guidelines on Prevention of Money Laundering has to be followed meticulously in opening of account, conduct of business and monitoring of transaction.

5.2.2.3. Exposure Limits & Margin Requirements & Settlement

5.2.2.3.1. Exposure limits for clients for cash segment

5.2.2.3.1.1. For Offline Clients

1. **Exposure will be allowed to clients by default in the system, on the basis of their credit balance in the their trading accounts with us with a multiple factor of 7 times the margin for intra-day with auto square off and 1 time for delivery based transactions.**
2. **Exposure will be allowed to clients by default in the system, on the basis of their share holding in Demat account with us with a multiplier factor of 7 times the share holding for intra-day with auto square off and 1 time for delivery based transactions.** The above exposure will be granted on the following lines;
 - a. Exposure on the basis of their share holding in demat accounts with us will be allowed only to those clients who have executed power of attorney in our favour.
 - b. All Shares will be accepted as eligible shares for this purpose with required Value at Risk (VaR) margin as specified by the Exchange on a daily basis.**
 - c. No further intraday/ delivery exposures would be allowed in the account unless the outstanding are settled by the client on or before T+5 days.**
 - d. Shares purchased by the clients will be held in the Client un-paid Securities account (CUSA) of the client standing in the name of IBMBS, till the debit balance is cleared by the client.**
 - e. Terminals to recover the dues within T + 2 days, failing which the pending purchase positions to be squared off by the terminal T + 5th day, without fail.
 - f. Service branch, Chennai to send T + 5 debit positions to the Terminals on T + 4th day for squaring off by the terminals.
 - g. Those trading accounts where T + 5 debit positions were not squared off due to client's request, will be temporarily suspended for trading and only delivery sales transactions for reduction of the debit balances will be permitted.
 - h. Even in case of such suspended accounts, those pending positions not squared off by the terminals on T + 5th day, will be compulsorily squared off by the Surveillance Department on T + 7th day.
 - i. Under no circumstances the squaring off by surveillance department shall exceed T+7th day.**
 - j. However, if the client has not cleared the outstanding in full with in T+5 days, no intraday/delivery purchase transactions will be permitted during the extended period of debit.**
 - k. Whenever the debit balance is equal to 80% of the stock value (Value of stocks in our CUSA Account + Holdings in demat account) terminals should resort to selling of stocks to the extent of debit balance in trading account.**
 - l. For the period of outstanding, delayed payment charges has to be charged @ 18% p.a. from T + 2 day of the transaction, till the date of realization.

3. **For shares held with other DPs, selling exposure will be allowed generally on transfer of shares to our company's settlement account by obtaining DIS in advance.**
4. For clients who seek exposure other than prescribed above, the same may be approved by the President & Wholetime Director with an upper limit of Rs. 1 crore.

5.2.2.3.1.2. For Online Clients

1. **Exposure will be allowed to clients by default in the system, on the basis of their credit balance/ funds transferred in the their trading accounts with us with a multiple factor of 7 times the margin for intra-day with auto square off and 1 time for delivery based transactions.**
2. Exposure will be allowed to clients by default in the system, on the basis of their share holding in Demat account with us with a multiplier factor of 7 times the share holding for intra-day with auto square off.

5.2.2.3.2. Exposure limits for clients for F & O segment

1. **Exposure for Future segment will be allowed to the extent of clear funds towards span margin + Exposure margin provided by the client. Online Clients will be allowed to take fresh position in derivatives on T day for funds transferred.**
2. MTM to be maintained on a daily basis covering T + 1 position, failing which the position will be closed by Surveillance Department.
3. Exposure for Future trades will be allowed to the extent of permitted security transferred to the designated account with appropriate hair cut + 5% and would be allowed from the second day of transfer. Stocks given as security margin under F & O cannot be sold.
4. Exposure for Option trade will be allowed to the extent of premium required and received.
5. Transfer of credit from cash segment to F & O segment would be entertained only on clear credits.
6. Exposure will be allowed to online clients to take fresh position towards the selling obligation in cash segment on T day since in online trading we have 100% POA clients and their shares will be removed on the same day.

5.2.3.3.3. General

1. Surveillance Department to ensure that all the executed margin positions beyond 3.10 pm are squared off at 3.15 pm by the system under "auto-square off" without any exception and consequently all pending margin orders, if any beyond 3.10 pm are automatically cancelled by the system. However, delivery orders can be placed till the market close. If a client wishes to convert the "margin position to delivery" the same can be done before 3.10 pm".
2. **The Dealers at the terminals use "Order/Deal Slips" to record the details of the order given by the clients namely Date, Time, Quantity, Scrip, Buy/Sell, Rate, etc. Wherever the customer places order in person, the signature of the customer should also be obtained in confirmation of the order/ confirmation shall be given to the client's registered contact number through voice logger enabled line of the terminal. The Order slip/voice log shall be preserved and maintained for a period of 5 years.**

3. IBMBS has installed "Voice Recording Systems" at all terminals. The terminal heads will ensure that the relevant conversation relating to substantive portion of order like Date, Time, Quantity, Scrip, Buy/Sell, Rate, etc are recorded and preserved for a period of 5 years. The dealer / terminal head shall also as part of the concluding conversation confirm the relevant details like Date, Time, Quantity, Scrip, Buy/Sell, Rate, etc before closing the conversation to reconfirm the same. The conversations so recorded shall be used for business analysis and dispute resolution. This will help to obviate any dispute raised by the client as to their orders.
4. For purchases made, shares will be moved to the client's demat account only on full payment of the dues and pending payment, the same will be held in the house account to the benefit of the client. In case of partial payment by the client, shares held in the house account, in proportion to the amount received with appropriate hair cut will be released to the client's demat account. If dues are not paid no further exposure will be given and the shares held in the house account will be sold on T + 5th day.
5. **The dues have to be met by the clients before T+2 day. If they fail to pay the dues within T + 2, delayed payment charges have to be charged and collected @18% pa from T + 3rd days onwards till the outstanding cleared.**
6. No fresh exposures to be allowed in respect of clients who have not remitted payment for the earlier exposures. Habitual delayed paying clients will be required to provide 100% margin for fresh exposures and the notional exposure would be withdrawn.
7. No fresh exposures would be allowed in respect of clients who have not met their delivery obligations in time for earlier exposures. Fresh exposures would be considered only after the auction formalities and recovery of the dues there under have been made.
8. The concessional brokerage would be withdrawn for clients making delayed payments and who default in their delivery obligations.
9. Any deviation from the margins prescribed can be permitted only with the approval of the President & Whole-time director.
10. Exposure limits and margin requirements are not applicable to institutional clients.
11. **The company is not providing funding for the clients for the purchase of shares. For all purchases, cheques have to be collected for the full value of the shares purchased by them and for the sale transaction, payments have to be made on T + 2 day through RTGS/NEFT to those clients who have opted for Bill to Bill settlement. In case of those clients who have opted for Running Account settlement payments to be made from T + 2 day onwards on receipt of request from terminals. However, as per SEBI guidelines, Service branch, Chennai to settle funds of all the clients once in every month/quarter as preferred by the client.**
12. For purchases made, sale would be normally permitted only on the third day of purchase as per T+2 settlement, deliveries would be available only on the third day for the purchases.
13. If the client fails to make payment within T + 2 days, action will have to be initiated for selling the shares at the prevailing market rate on T + 5th day, through the concerned defaulted client's account and the resultant loss/profit if any will be passed on to the client.
14. The terminal head / Service Branch Head will be responsible for the recovery of dues and Surveillance department for triggering the sale wherever required for squaring off margin trades on day to day basis and on T + 5/7 days to ensure recovery of outstanding on delivery based trades.

15. If the client does not give delivery in full or in partial for their sale and allowed the shares for auction, all charges of auction, brokerage etc will be debited to the account and balance if any would be passed on to the clients.
16. The defaulting clients for payment and delivery obligations will not be eligible for any concessional brokerage and the existing concessional brokerage would be withdrawn.
17. Clients may tender pre-funded instruments such as Pay Orders, Demand Drafts, Banker's Cheques etc, towards purchases made by them. If the aggregate value of pre-funded instruments is Rs.50,000/- or more, terminals as per SEBI guidelines and based on our Policy on Pre-funded Instruments, should obtain a certificate from the issuing bank on its letter head or on a plain paper with the seal of the issuing bank, Certified copy of the requisition slip to issue the instrument, Certified copy of the passbook/bank statement for the account debited to issue the instrument and authentication of the bank account number debited and name of the account holder by the issuing bank on the reverse of the instrument from the client before crediting the Trading account. Terminals were required to advise the clients to open accounts with Indian Bank to overcome the above requirements.
18. The receivables from clients under broking remaining uncollected beyond 90 days, will be analyzed and due provision required for them for the uncovered exposure without recourse would be made in the accounts.
19. In respect of payables to clients arising out of sale of their securities through us has to be effected by service branch after ensuring obligation of delivery of securities including non-devolvement due to auction, fulfillment of his outstanding delivery obligations if any, outstanding dues including upto date delayed payment charges, if any, both under Broking and DP operations, future un-crystallized obligations under settlements/corporate actions etc.
20. The terminals are required to take adequate precautions while placing orders and should ensure that the policy guidelines prescribed for modification of client codes are strictly adhered to.
21. Dealings/transactions of the clients will be carried out in accordance with procedures and norms prescribed by the Exchanges/regulatory authorities/policy guidelines issued from time to time. The maker checker stipulations/requirements have to be strictly complied with.
22. All staff members are required to comply with SEBI/Exchange requirements for completion of the Certification Exams/Tests.
23. While entering orders during periodic call auction sessions for illiquid scrips, dealers to ensure that orders placed by the clients do not attract penalty clause and consequent customer dissatisfaction/complaint. It is desirable that both buying and selling orders for a client in any particular illiquid stock are not placed in the Trading system, to avoid penalty.
24. In respect of transaction alerts that are generated and provided by the Exchanges in all the segments on a daily basis, Surveillance Policy has been created in IBMBS. Accordingly in order to analyse the trading activity of the Client(s)/Group of client(s) or scrips identified based on the alerts generated from the Exchanges, Surveillance Department to conduct proper investigation and report the findings to the Compliance Officer of the Company. In case of any adverse observations, Compliance officer to report all such instances to the Exchange concerned within 45 days.
25. Service branch, Chennai to ensure that KYC details furnished by the clients while opening demat/trading accounts and updating Client Master details, are scanned and forwarded to KRA (KYC Registration Agency – NDML) within the stipulated time period. In case of Corporate accounts, Corporate Identity Number (CIN) needs to be updated in the KRA records.

Service branch, Chennai to ensure that KYC details furnished by the clients while opening demat/trading accounts and updating Client Master details, are scanned and forwarded to KRA (KYC Registration Agency – NDML) within the stipulated time period. In case of Corporate accounts, Corporate Identity Number (CIN) needs to be updated in the KRA records. Service branch, Chennai also to ensure that KYC details furnished by the clients while opening demat / trading accounts and updating Client master details are uploaded to Central KYC record registry system (CKYCR. The company has got itself registered as an entity with CERSAI and has resolved to comply with various guidelines given by CERSAI for updation of CKYCR within time line and shall remain compliant by uploading KYC records to CKYCR with CERSAI directly.

26.As directed by SEBI to implement minimum pre-trade risk controls for all categories of orders placed on Stocks, Exchange Traded funds (ETFs), Index Futures and Stock Futures, appropriate checks for value and/or quantity limit per order have been implemented in our trading software based on the respective risk profile of the clients. Surveillance department to report compliance to all the stock exchanges by the end of every quarter for having implemented appropriate checks for value and/or quantity limit per order, per client in our trading software.

27.As per the guidelines issued by National Stock Exchange of India Limited Membership Department vide Circular No.661 dated 31.12.2008, new policy viz. Business Continuity Policy is formulated by the company to ensure stability in the operations of the company in the current technology intensive environment in which Indian securities market operates to protect the interests of the various stake holders.

5.2.3. Depository Participant Activities

5.2.3.1. Operational

IBMBS is a SEBI registered Depository Participant with National Securities & Depository Limited (NSDL) and is governed by the Depositories Act 1996, SEBI (Depositories & Participants) Regulations, 1996 and circulars issued by SEBI and NSDL from time to time.

The instructions / guidelines of NSDL shall be meticulously followed with respect to Dematerialisation and Rematerialisation, Instruction Processing, Transmission, Transposition, Pledge, provision of statements, internal controls, Grievance redressal, DP Service centre's, charges, connectivity, record keeping, control of various forms and Systems including maintenance & back up. It should be ensured that all staff members get qualified in NISM-Series – VI: Depository Operations Certification Examination (DOCE) launched by National Institute of Securities Market, as mandated by SEBI.

All the terminals shall download and keep in file all the important circulars issued by NSDL from time to time. The Registered Office / Service Branch / Terminal Head will authorize in writing, the persons entitled to operate the terminals, either as part of work allocation or specifically. Generally the terminals shall use formats suggested by NSDL for the different types of requirements of the clients. Failed instructions should be communicated in writing even if the same has been orally communicated earlier. Systems dept and DP dept shall ensure taking and safekeeping of adequate backup as may be stipulated by NSDL from time to time.

DP bills should be generated and dispatched promptly at the stipulated intervals and the dues are to be recovered latest within one month. Wherever possible, clients may be encouraged / advised to make advance payments. Overdues should be closely followed up for early recovery.

Where clients have shifted residence, terminals to collect address proof alongwith duly filled in KYC form from the clients and forward to service branch for necessary updation in DPM and DP back office. Service branch to ensure that the revised address of the client is updated in KRA records by scanning the KYC & address proof and forwarding the same to KRA.

Contact address should be separately noted and bills sent to that address, so that bills would not be routinely sent to the old address and get returned. Such returns not only involve unnecessary courier costs, but also hampers recovery of the dues and compliance requirements.

There should be proper co-ordination, between the broking section and DP section within the terminals and service branch, Chennai, to ensure prompt and efficient customer service and also to recover the dues to the Company.

5.2.3.2. Collection Mechanism

The DP account and the trading account shall be inter-linked and the DP dues are to be charged to the client's trading account. If the trading account has a credit balance, the same can be directly recovered from trading account and the client is to be intimated for payment of the balance amount (if any).

While charging AMC every year, AMC shall not be charged for those accounts where stock value is lesser than the outstanding amount in demat account and for those demat accounts suspended for non submission of Pan Card details as these accounts are in inoperative status. However as and when such accounts are operated, all the back log AMC and DP charges have to be recovered before processing any request for release of security/funds or any other request relating to his/her DP operations. However, the outstanding dues under AMC will be charged subsequently whenever, there is stock in demat account and/or balance in trading/bank account mapped to demat/trading account or at the time of request for closure of demat/trading account. Before processing any request for closure of demat/trading account, terminal will ensure to recover the trading account dues/AMC in demat account for the previous years.

The DP dues of clients shall be reviewed on a periodical basis and no transactions shall be put through in case of pending DP dues. Terminals should also strive to get customers consent for automatic debits from their accounts / standing instructions for recovery of dues.

The receivables from clients under DP remaining uncollected beyond 90 days, will be analyzed and due provision required for them for the uncovered exposure without recourse, would be made in the accounts.

All terminals to maintain DIS Re-issuance Register and In person verification Register as per NSDL guidelines.

5.2.4. Distribution of Mutual Fund and other Investment products

As part of broking, IBMBS distributes Mutual Fund and investment products and is registered with the Association of Mutual Funds of India (AMFI) for distribution of Mutual Fund products.

1. Terminal will ensure that the required number of staff in the terminal get qualified in the required Certification Examination.
2. Terminal will ensure that guidelines issued by AMFI as relating to distribution of mutual fund products are properly filed for ready reference and are strictly adhered to.
3. Terminal will ensure the availability of sufficient number of forms for the use of the clients. (and in the terminals attached to the branches).
4. The risk factors relating to mutual funds as under shall be brought to the notice of the clients while canvassing:
“Mutual funds & securities investments are subject to usual risks associated with capital and money market instruments. There can be no assurance that the fund’s objectives will be achieved. As with any investment in securities, the NAV of the units issued under the schemes can go up or down depending on the factors and forces affecting the securities markets. Past performance of the mutual funds does not guarantee the future performance of the schemes of mutual funds and does not form a basis of comparison with other investments. The names of the schemes do not in any manner indicate either the quality of the schemes, their future prospects or returns”.

5.2.5. Proprietary trading

IBMBS undertakes proprietary trading. Proprietary Trading shall be undertaken in accordance with laid down guidelines for the same. It should be ensured that the various guidelines issued by SEBI & other regulatory authorities relating to all areas of operations should be scrupulously adhered to.

6. Regulatory Risk

IBMBS undertakes activities under merchant banking, stock broking, depository participant and distribution of mutual funds. Terminals/service branch/Registered Office have to follow and implement various guidelines issued by SEBI and other regulatory authorities, as relating to merchant banking activities, stock broking, proprietary trading, depository participant, distribution of mutual fund and other investment products, including latest amendments in such guidelines, should be scrupulously adhered to.

7. Compliance Risk

Mandatory guidelines of the Regulator(s) are monitored and a Compliance officer has been appointed. The terminal to submit the compliance report to the Compliance Officer before 5th of every month. The Compliance officer submits report to the audit committee of the Board on a quarterly basis and to the Board on a yearly basis. The Compliance Policy of the company has been approved by the Board of Directors and is subject to review once in a year.

8. Creation of Awareness among Employees & Customers

IBMBS shall also strive to create awareness about the risks and regulations by effective sharing of information through circulars and notes among its employees on a periodical basis. The policies followed by IBMBS have also been uploaded on to the website of the company, wherever required. All the terminals have been instructed to display the mandatory contact details / NSDL displays prominently. The employees are also advised

to inform the customers of the regulations from the account opening stage itself. Customers are also educated on the updates through displays in the company's website, interactions with the employees and displays in the company's/terminals premises.

9. Information Technology Policy

Information Technology (IT) policy of IBMBS, encompasses areas of protection of financial information provided to the company for privacy and security, password policy, maintenance of the website of the company and our online trading product. The policy comprises of the following policies

- a. Privacy Policy
- b. Legal Disclaimer
- c. Password Policy
- d. Information Security Policy
- e. Disaster Recovery & Data Back-up Policy

The detailed policy has been laid down for guidance and implementation

10. Insider trading

According to the SEBI (Prohibition of Insider Trading) Regulations, an insider is defined as

- a person who is or was connected with the company or is deemed to have been connected with the company and is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or
- has received or has had access to such unpublished price sensitive information

The company has taken adequate measures to prohibit insider trading and has framed a "Code of Conduct" for handling of confidential information and personal investments for the employees. The Company has also framed "Code of Conduct & Ethics" for the top management of the company and the same is monitored.

11. Disclaimer

As required by the regulations, the company has framed and uploaded the Disclaimer and the Terms of reference in its website which also extends to other communication such as research reports, news letter and other relevant communications.

12. Conclusion

Effective risk management involves risks the company is prepared to take, the exposure, the actions it will take to respond to risks and the impact of its actions on risk positions. The benefits of an integrated risk management include but not limited to organizational decision making, streamlining of process by categorizing the risks, improved compliance with internal policies, more awareness about the regulatory requirements and opportunities for cost savings by integration of risk management process and business functions and ultimately maintain the optimal tradeoff between risk and reward.

This policy was reviewed and modified by the Board of Directors of the Company at its meeting held on 07.11.2019.