

Procedure & System of Internal Controls:

- 1. CLIENT REGISTRATION AND DOCUMENT MAINTENANCE:** The number of Active Clients are ----- in F&O Segment and ----- in Capital Market Segment we register clients in two categories Individual and Non-Individual. The Clients are registered after complying with necessary KYC formalities including Agreement, Risk disclosure Document, and obtaining various Proof of Identification and Proof of Address apart from PAN Copy. The same are verified with original and stamp to that effect is affixed .and signed by employee of the company. Individual Clients- are registered based on mainly the references. In case of non-individual corporate, we insist for copy of 'Income Tax Returns. The said documents are being preserved as per the Exchange and SEBI norms applicable to us. Even necessary provisions for in-person verification have also considered. Original KYC documents are -kept at Head Office and we follow alpha numerology pattern regarding to maintenance of KYC. Necessary UCC details of Clients are being uploaded to Exchange and mapping of the same is also being done before transactions. We do not out sourced client's formalities.
- 2. SALES PRACTICES :** Being a broker member of the Exchange, the Company is carrying out its activities from its Regd. Office as well other branch offices including offices of sub-brokers located at different places. The Company transacts the business for their own as well as for clients. We make clients aware about the risk associated with securities market.
- 3. CLOSURE OF CLIENT ACCOUNTS :** As per the request of concerned clients, we do close the respective client codes barring in mind the maintenance of related records. Further, we intend to initialize the process of monitoring the dormant accounts of the clients who have not done any transactions since last 9-12 months.
- 4. ORDER RECEIPT AND EXECUTION:** Generally, our clients places their orders through our terminals located at our offices or sub-broker's offices either by visiting personally or through telephonically. Before punching the order, our dealer invariably doubly confirms the client codes and places the order as per the request of client, either market order or limit orders. Once the order is placed and transformed into trades, our dealer conforms the same with the client giving necessary details of scrip, quantity, price etc. At the end of the day, dealer also confirms telephonically with the clients that the trade has been done with providing necessary details to him. Even, we do have a system of sending sms to respective clients about trade done.
- 5. SENDING OF CONTRACT NOTES:** In general, we issue Physical Contract Notes to all clients by courier and maintains PODS of the same. Even we have Even clients who visits directly to our office and demands physical contract notes once again, the same are being issued to him/them. The Courier agency regularly collects the courier covers from our office daily in the evening and dispatch the same to respective clients.
- 6. QUARTERLY STATEMENT OF ACCOUNTS AND DAILY MARGIN STATEMENTS:** The statement of accounts for funds and securities are being sent to clients on quarterly basis, within one month of the end of the relevant as it will help avoid discrepancies in future. The same are being sent either by way of hand delivery .for which client's acknowledgement are being received on duplicate copy or by courier for which necessary PODS are being maintained. Further, we are sending the daily margin statements to, F&O clients by way of contract notes

which contains the credit balance margin collaterals, MTM position etc. Further, we already have instructed our back office software vendor to include the provisions in this regard so as to comply the exchange's requirements.

- 7. RISK MANAGEMENT SYSTEM :** As a part of our risk management system, our employees monitor the exposures of clients / sub-brokers on run-time basis. During market fall, we observe the position of respective client as well as sub-brokers like his credit balance available with us, securities lying with us etc. and depending upon the same, we allow them to transact or create the position or to extend / subtract their position. At the same time, we have to consider respective client's trade history/experience with us, his financial capacity and/or credit worthiness and referrals. In case, there is debit balance, we request client to provide sufficient margin / securities / funds to carry out his request for fresh buying or to create fresh position. In case the client is incapable of meeting margin requirements and if he requests I consents, we square up his position barring in mind the provisions of broker-client agreement executed with the client. The Branch and Sub Broker limit is being fixed based on his part history, his promptness of meeting obligations, financial standing etc. The client limit is fixed as per the Ledger balance In line with respective client's trade history/experience, if available, his financial capacity and/or credit worthiness and referrals This limit can be increased only after an Analysis of credit balance of funds / securities along with respective client's trade history/experience, financial capacity, credit worthiness and referrals. If required, this limit can exceed after permission of higher authority. Further, the margin collected from the client is being regularly- and correctly uploaded to the exchange and the shortage, if any is also uploaded without fail.
- 8. MONITORING OF DEBIT BALANCE:** We are regularly monitoring the activities of each of the branches and sub-brokers on daily basis's6 .as .to have proper control upon them. As a part of ourregular risk management system we do monitor ,the client ledgers on real-time basis as also periodical review ,is being done. The exposure limit is being provided only based on clients' financial standing his trustworthiness referrals past business' history etc. Further, we intend to implement the system of sending .periodic reminder letters to clients having constant debit balance.
- 9. OPENING AND CLOSING OF BRANCHES / SUB-BROKER OFFICES AND ALLOTMENT & SURRENDER OF TRADING TERMINALS :** We allot trading terminals to our sub-brokers based on his credentials and on various criterias including his eligibility to get registered under SEBI Sub-Broker Registration procedures. Further, We open/close the branches and terminals are allotted to surrendered from branches considering the volume of particular locality / branch, mentality and maturity of locational clientele and various other parameters and in line with complying various norms of the exchange in this regard. The details of location etc. for each and every allotment or surrender of trading terminals are being properly and accurately uploaded to the Exchange as per Exchange's requirements.
- 10. RECEIPTS & PAYMENTS OF FUNDSAND SECURITIES:** The cheques I securities from the clients is only be accepted from the accounts directly in our name for which the client has submitted the proof to the company as a part of KYC formalities. In case of any receipt from the accounts for which the proof is not available, the same is being demanded from the clients. Generally, we do .not' accept Third Party payment of funds or securities and In case, for any

reason the same is accepted, proper authorisation /declaration of such related party of clients is being obtained. Payments for the payouts of funds and securities are being made to the clients only and not to any third party. In case, the clients have forwarded the securities towards pledge or availing exposure limits, the same are being forwarded to our clearing member for which clients have sufficient notice.

11. **POLICY ON INTERNAL AUCTION** : On the next day of Pay-in, when there are two clients standing internally on the same scrip, then we make close-out . This bill is made in X Settlement and the buyer's shares are purchased on close -out date in Rolling Settlement. The close -out in X settlement are 1% higher than that in Rolling Settlement. In case, when there is a buying cap on particular scrip and when we are not able to, purchase the same, then we settle it according to the rate in the buying cap, which is informed to the client/buyer through telephonic conversation.
12. **SQAURE-UP OF POSITION I LIQUIDATION OF SECURITIES:** During the heavy market fall, in case, if there is debit balance of client or margin shortfall, we request client to provide sufficient margin / securities / funds to carry over /continue the respective transactions. In case, he is not in a position to provide the same, we request the client to square-up or liquidate his extra position. We are not winding up the open position of any client having sufficient credit balance/margin/securities available with us. However, in no case the liquidation of client position without his consent, is being done even though sufficient provisions are there as per the agreement executed with the clients.
13. **TRANSFER OF TRADES** : The same is centralized being done within the exchange's parameters and time-frame.
14. **COMPLAINT REDRESSAL MECHANISM:** We have appointed our compliance officer who is handling all grievances redressal Mechanism. Any client can complain to any of our director or compliance officer by way of telephoning on 079-30024500-05 or by way of Fax on 079-30024500 or by e-mail to our designated e-mail ID : complain@jbsindia.in or submitting written complaint to our Registered Office at 707 7th floor Sakar-1 nr Gandhigram Rly stn Ashram Road Ahmedabad-380009. It is always our endeavor that the complaint be redressed within a period of 15 working days. In the event of the complainant not getting a reply within a period of 15 working days or his / her not being satisfied with the reply received, he may write to **Shri Krutik Shah** at aforesaid address.
15. **MARGIN COLLECTION:** As per our assumption, in case of Capital Market segment the margin collection is voluntary and, based on that we normally not collect upfront margin under normal circumstances but we may collect margins depending on the Market Scenario and Client Profile and net worth, credit worthiness, etc. in order to decide the exposure limits of clients. However, we observe that respective client-meets his / her/ its pay-in obligations. In case of F&O segment, we are collecting necessary margins from the clients and if need be we are also collecting additional margins for the safety depending on the Market Scenario and Client Profile. We also collect Exposure margin from most of the clients. In case of common clients transacting on both, capital as well as derivatives segment, we also consider credit balance, if any, on any segment for allowing exposure limits barring in mind the consent of the clients. Generally, we try to maintain margin Collection ratio of 50 % by cheque and 50% by way of securities. If any client wishes to submit securities as collaterals/ margin, we accept only those securities as may permitted by NSCCL which it accepts from members towards margin. We also take into account the applicable hair-cut on respective securities.

16. INTERNAL AUDIT SYSTEM: We have appointed independent chartered accountant who is functioning as our Internal Auditor. He is undertaking internal audit on real time basis and promptly pointing out deviation, if any to the management for proper rectification of the same.

17. CAPACITY AND BACK-UP OF SYSTEM WITH REFERENCE TO VOLUME:

Server:

HP Desktop DX2480 / E2180 2 GHz Dual Core CPU / ON Board VGA / Sound / LAN
1.5 GB DDR2 Ram / 160 GB Hard Disk Drive SATA / 17" TFT Monitor
Dlink 10/100Mbps PCI Ethernet Card / HP Key Board / HP Optical Mouse

Client:

All the Client Desktops are P4 2.4GHz and above / 512 MB RAM and above.

Back office Server:

HP Proliant ML150 Xeon 3GHz Processor / 2 GB RAM / 80 GB Hard Disk Drive
17" CRT Monitor / HP Keyboard & Mouse

UPS:

APC 3KVA online ups with approx 2 hr. battery backup.