

## RISK MANAGEMENT/ASSESSMENT POLICY/SYSTEM – ZEN SECURITIES LTD

**Parameters/guidelines followed for Risk Management/Risk Assessment are as under which covers all segments of stock Exchanges namely, NSE,BSE and MSEI**

### Policy of acceptance of clients

The clients such as individuals, HUF's, Firms (registered or unregistered), Public Limited Companies, Private Limited Companies, Non Resident Indians and Persons of Indian Origin get registered as a client after strictly following Know Your Client formalities prescribed by SEBI / Exchanges/Depositories in this regard.

### Procedure for identifying the clients

We generally register a client who is referred to us . We verify customer identity through documentary evidence apart from mandatory in- person verification carried by our employees. We obtain copies of PAN card/Aadhaar/Identity proof and address proof in case of individuals and relevant required documents for NRI clients, corporate and non –individual clients. We verify the original documents to establish the customer's identity. While analyzing the information, we consider whether there is a logical consistency among the information provided, such as the customer's name, street address, PIN code, telephone number, date of birth, etc. Sufficient information is obtained to establish the identity of the beneficial owner who ultimately own,control and influence the entity on whose behalf the transactions will be effected. In case of non individuals we identify the ultimate beneficial owners by obtaining details of natural persons of such entities.

Walk-in clients are generally enrolled by interviewing the client and upon verification of all the requirements thoroughly by our employees.

The company will not allow benami or fictitious accounts where the client is desirous of keeping his/its identity confidential or secret.

The company will not allow multiple client accounts.

We have in place system for cross verification of the identity of a client in order to ensure that he/she/it is not a suspected entity. For that details of debarred entities notified by Sebi/exchanges are verified.

### Risk based approach

We have envisaged the underlying risk and accordingly have categorized the clients into low risk and high risk clients .The following are segregated as special category clients of high risk to enable us to understand the risk profile of the client and for exercising due diligence

The High Network Clients account having turnover of more than Rs. 1 crore per day are specifically monitored

At the time of account opening by the client while discussing/interviewing, the client is made aware and explained about inherent risk elements involved in capital market investments.Assessment of the clients risk profile is analyzed.

### Controls at Terminal level

We have withdrawn all the NEAT/BOLT trading terminals and installed CTCL/IML terminals for better control & risk management at all places. This CTCL/IML set up gives us client level control. The customer gets limits commensurate with the credit availability in his/her/their account. Extra limits will be given based on the client's track record and/or securities balances available with us. Every order is routed invariably through the CTCL/IML system.

### Transaction/payment risk assessment

We are collecting the cheques by T+2 day and if the obligation(as per our company policy we do not collect margins in cash segment ) is not paid by the client on T+2 day then ZSL may square off the positions of all such clients to the extent of debits normally on or before T+5. Similarly strictly followed margining system for derivatives transactions as per exchange

guidelines by collecting margins upfront and squaring off of transactions in case of inability of the client to pay the margin within the prescribed time.

We square off the pending positions of the client placed as intra-day orders, half an hour before closure of trading, if the client does not intimate and/or arrange for requisite obligation amount. In case the client does not meet the securities obligation within the prescribed time then the exchange procedure is followed.

At Zen payments are received through clients own bank account/s and securities through clients demat account/s and payments/securities from third party are not accepted. Similarly payout funds are given by account payee cheque on clients name and/or funds are transferred to clients own bank account through RTGS/NEFT.

#### Restriction at Scrip level

All the scrips which are in Trade for Trade, Z category, Periodic Call Auction scrips and also scrips suggested by Compliance Dept are moved to a separate category "Cash and Carry" where clients orders are executed against availability of clear cash for purchases and availability of securities for sales.

#### Payment/Transaction verification

The receipts/payments of Rs 10 lacs from/to clients are verified daily with transaction /payment history and flow of funds. Their transaction/payments are seen with their respective income ranges and verify that they are not abnormal. Similarly it is also seen whether there are any high volumes with low income levels. Daily verification of payment/transaction details are documented and reported to Directors/Principal Officer. Similarly daily traded scrip volumes beyond 25% vis-a-vis exchanges are analyzed and details are documented and reported to Directors/Principal Officer. In case of any abnormality is noticed after analysing the details, if found to be suitable, will be reported to FIU through the prescribed manner.

#### Training of Employees

The employees are thoroughly interviewed and their identity and other documents are verified before recruiting them. Most of the employees are the persons who are referred by the company's associated, existing employees, etc. The employees are imparted training for about three months which inter-alia includes the briefing them about the need and importance of PMLA guidelines. Refresher courses are conducted periodically for the existing employees, wherein the latest developments in the capital market including the importance and need of PMLA guidelines are explained.

Similarly periodical branch/investor awareness programmes are conducted to bring to the knowledge of the branch staff/investors about the importance and need of PMLA guidelines.

Senior level employees are deputed to seminars/workshops/meetings conducted by various Regulators/Agencies from time to time for better understanding of the requirements and for updating the systems.

### **a. Settlement of funds/securities**

We have been settling the clients' accounts as per the option of the clients on a monthly/quarterly basis for the clients. All our clients have opted for settlement of funds and securities on a quarterly basis. In Zen Securities Ltd, we have system of settling the accounts of the clients through software on a daily basis followed by sending the SOA on the same day.

We are retaining funds of clients, with their authorization, who have credit balance less than Rs 10,000 and treating them as settled. The SOA is sent together with retention statement to such clients.

All our clients have submitted Running Account authorisation for meeting their settlement obligations to the exchanges. Accordingly we are retaining their funds and securities in order to meet such settlement obligations. However whenever any clients is requesting for funds in a quarter, within one working day the same is released to the client and all such cases we are treating as 'settled' and securities are transferred and such settlement is followed by sending of SOA.

As per our company policy for accounts with debit balances, we are treating them as settled. We are holding the securities of such clients to the extent of 200% of debit balance. However in case of risky clients/ penny or T2T stocks we may retain entire holdings as per the advice of RMS team/branch head and SOA together with retention statement is sent to such clients.

While settling the accounts, in cases of F&O clients, we are retaining the funds to the extent of 175 % for meeting the margin obligations.

We send the statement of funds and securities together with retention statement to the clients on a quarterly basis /at the time of settlement of funds and securities giving the details of their transactions and retention amounts/securities, if any, during the relevant period stating that they have to inform us within seven days for any objections. We also mention about retaining of funds and securities for meeting the clients immediate settlement obligations in the SOA. The SOA contains the details of ZSL's regd office, phone numbers,email id,compliance officer's details,etc as per requirement.

We are despatching the SOA to the clients through email for their immediate attention while settlement is done.. In case of bounced mails , physical copies are dispatched immediately.