

## **Internal Controls- detailed write-up**

The company has internal controls commensurate with the size of the business volumes. The management of the Company is headed by Managing Director/CEO, who oversees and reviews ,from time to time, the functioning of the Compliance officer and senior management in respect of compliance, operational, and other areas of business activity and issues suitable instructions for complying with various circulars regulations, guidelines of the Regulators.

The Management of the Company has entrusted the responsibility to Compliance Officer for complying with circulars, directives /guidelines issued by various Regulators from time to time. The Compliance Officer has been overseeing the

a)The timely submission of Internal Audit Reports/system audit reports to Exchanges- taking note of observations of internal auditors for improvement in compliance of various requirements

b)The compiling and submission of Risk Based Supervision reports to exchanges after due verification

c) Submission of various monthly/ quarterly reports to exchanges after verifying the same

d)Submission of net worth and annual returns to the exchanges half yearly/yearly

e)Verifying the circulars and guiding the concerned executive for implementing the directives

f) Daily verification of scrip wise volumes beyond 25% of the exchange percentage and verification of details of clients with turnovers beyond Rs 10 lacs, verification of PMLA related data on the back office software on weekly basis, generating alerts, filing of STRs as per the requirement, etc. The verification includes the details of transactions as per client scrip concentration, client to exchange volumes, details of clients traded in illiquid scrips, synchronised trades if any, in dormant accounts, data of top 'net bought' clients,data of 'net sold' clients, data of clients with highest debit,etc.

g)Redressal of complaints received from clients by responding after due verification of the details within 30 days - escalation to Managing Director/Director the details of complaints as per the requirement- ensuring the details are noted in the complaints register

h)Submission of MIS reports to MD/Director for information of the activities

g)Visiting of branches for inspection of their activites, etc for guiding them and ensuring the dealers are having appropriate certification, and that they maintain/ display of notice boards, attendance registers of the dealers/staff, complaints register, visitors register, grievance mechanism notice board

The Managing Director/Director shall be reviewing the reports submitted by the Compliance officer on monthly/quarterly basis and issues suitable guidelines as per the requirement. The Board shall review the reports placed before it on quarterly/annual basis.

The Management of the Company has entrusted the responsibility to Senior Management for carrying the operational areas and review its working regularly and issues suitable directions for effective management. The operations are like

a) Trading, management of trading limits, branch limits as per the exigencies,

b) Terminals management- appointment of Authorised Persons, allotting of trading terminals and related issues

c) Enrolling of clients - Zen has branch wise system through appointed Authorised Persons/Sub-brokers for enrolling new clients and placing trade orders on behalf of the clients at the respective branches. Ensuring the briefing of risk elements to clients, carrying IPV ,original documents verification, forwarding of KYC form and documents to HO- verification of the client details in KRA system to see whether the client is already existing, downloading from KRA and verifies with the submitted kyc to see whether there is any change in the details. If there is any change , then the required change of details is uploaded to the KRA-ensuring the verification on the IT website for PAN details and client details with banned entities, etc for ensuring the client is not in such lists-uploading of scanned KYC documents to KRA within the prescribed time of 10 days.

d) pay-in/pay-outs to the exchanges and to the clients- organizing efficiently the movement of funds to meet the obligation at exchanges on daily basis and meeting the pay-out requirements of the clients- ensuring the funds & securities are received from respective client bank and demat accounts only by reconciling daily, ensuring the client account funds are used for client obligation and clients payout and maintaining the clear segregation of client and proprietary funds & securities

e) Shortages in margin payment in F&O segment- ensuring orders are placed with availability of required margin funds, and if any shortage/default in meeting MTM, communicating the same and reporting to the exchange such shortage/deficiency

f) Follow up debit balances of the clients- continuous follow up for recovery of outstanding debit balances and not allowing further trading limits till the debit is cleared

g) Settlement of accounts of the clients on monthly/quarterly basis- through system based management of settlement of accounts of all clients on monthly/quarterly basis, follow up branches/clients in case of change in bank account details/ demat account details, ensuring the

statement of account is sent at the time of settlement of account along with retention statement as prescribed by the exchanges

h) Funds management like, BGs/ FDs, etc- appropriate use of BGs for meeting the exchange obligation/trading requirements

i)Dispatch of contract notes on daily basis/Statement of Account to the clients on quarterly basis- maintaining log of mails sent

j)Receipt of transmission requests from clients in respect of the funds and securities of the deceased clients as per nomination made - payment and delivery of funds and securities accordingly to the eligible persons after due verification and documentation

k)Reporting of MIS to Managing Director/Director the important aspects, issues for obtaining suitable guidelines.

l) Staff recruitment and training them in all the functional areas of the company for efficient discharge of the duties. Conducting refresher sessions periodically to update the latest details for effective functioning and awareness.

As per the reports submitted by the compliance officer, senior management in respect of various operation areas, the Managing Director/Director shall review the same and by guiding/issuing instructions to ensure that compliance of circulars, directives of various regulators are carried as per requirement. Over all review is done by the Board in its quarterly/annual board meetings.