

HORNIC INVESTMENT PVT. LTD.

INTERNAL CONTROL PROCEDURE

Sr No.	Areas of Internal Control	Page No.
1	Acceptance of Clients	2
2	Client Identification	3
3	Registration of Intermediaries	4
4	Issue of Trading Terminal	5
5	Margin collection	6
6	Monitoring of Client Transactions	7
7	Placement of Order	8
8	Other Areas	9

❖ Acceptance of Client

- As far as possible Walk-in clients should not be registered as client or allowed to trade. In exceptional circumstances, if any walk in client is registered then he should be allowed to trade only after undergoing a proper procedure of client identification. In addition to the client identification procedure, such walk in client should be allowed to trade only to the extent of security provided initially till the period a confidence on the financial credibility is developed. With the passage of time and after development of sound business relationship with the client, such walk in client will be treated at par with any normally registered client.
- Only those new clients would be accepted and allowed to trade with us, who would be referred to us by any of the following:
 - 1) Employees;
 - 2) Directors;
 - 3) Relatives or Family Members of the Directors;
 - 4) Existing Clients (trading in any segment).
- On expression of wish for becoming a client by any person, a copy of Client Registration Form along with other documents and forms will be forwarded to the client. The copy of the CRF will also be accompanied with the list of documents and additional documents or proofs required.
- Client Registration Form after being signed and filled by the Client will be received at our Client Registration department.
- At the client registration department, the documents are checked and only after they are found proper they will be counter signed by us. The client code generated will be communicated to the client after completion of entire procedure.
- A prospective client will be allowed to trade only on satisfactorily submission of required documentary proof and proper signing of documents.

❖ Client Identification

The following procedure should be adopted for identification of Client:

- As far as possible, no clients will be registered without personal contact.
- In addition to personal contact, for client identification, proper address and identity proof as prescribed by SEBI as per Uniform Documentary Requirement will be obtained from the client.
- PAN number and a Copy of PAN card will be compulsorily obtained from the client. No trading will be allowed unless the proof of PAN proof is submitted by the client.
- All the documents collected will be verified with original by the Client Registration Department and a stamp “Verified with Original” will be affixed and signed by the person verifying it.

❖ **Registration of Intermediaries:**

- The procedure as prescribed for registration of Approved Person's will be followed.
- Brokerage will be shared with the respective Approved person only after the Approval of Registration by the Exchange.
- No Brokerage will be paid to the Approved Person for the trades executed prior to registration.

❖ Issue of Trading Terminal

- The Terminal User should be NCFM certified. Before allowing the user to operate the terminal, the copy of NCFM certificate will be collected and verified with the original.
- The user will be asked to renew the NCFM certificate on its expiry. If the user fails to renew the certificate then he would not be allowed to operate the same any further. The renewed copy of the certificate will be re-obtained and verified with original.
- The guidelines laid down by the Exchange for Approved User and Location of trading terminal will be strictly followed. It would be made sure that there is no issue of trading terminals to unauthorized persons or at unauthorized locations.
- The data regarding new user as well as modification in existing user should be immediately uploaded and documented on modification or issue to the new user as the case may be.

❖ **Margin Collection:**

- Any exposure to the client will be subject to the collection of adequate margins from the clients.
- The margins collected would be as per the requirements of the Exchange.
- Margins collected would be in the form of Shares, Cash or Credits.

❖ **Transactions of Clients:**

- Transactions of few major clients would be monitored, if required and in case of any suspicion from our side of possibility of any malfunctioning by the client. If required the client will be asked to stop such kind of malfunctioning or may be even asked to stop trading.

❖ Placement of Order:

- The orders will be placed by the respective Dealer as per the instructions from the clients.
- However, it should be made sure that the priced put up should not be unrealistic or not representing the correct market price.
- Generally before execution of order a final confirmation of the entire order should be made to the client.
- The clients should not be induced to either Buy or sell.

❖ **Other Areas:**

- Complete confidentiality of Client information should be maintained. No client information would be given except if required by law.
- Proper records as required by various statues will be maintained.
- The above internal control procedures should be reviewed periodically in the light of recent changes.