

VFC SECURITIES PRIVATE LIMITED

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M/S. VFC SECURITIES PVT. LTD.
CIN NO.:U67190MH1995PTC085171.

Internal control

1. Details

- Date of starting of business
February 2nd, 1995

- Background of company

- 2. M/S VFC Securities Private Limited was Promoted by Mr. Nimish Shah C.A. and Mrs. Mona Shah. Both of them had a few years of Experience in the Capital Market at the time of Floating the Company on 2-2-1995. After gaining further experience and confidence it started Operation in NSE from January 1998. Over the Years VFC has also taken the Membership of Bombay Stock Exchange and National Depository Services Limited to service their Client.

2. PMLA

- Compliance w.r.t. Principle Officer and adoption of written policy.
Please find the PMLA policy attached.
- Measures taken with regard to Anti money laundering Act
At the time of client registration and also during the course of conducting business with the clients, we categorize all our clients as high risk, medium risk or low risk clients from the money laundering perspective. We also identify the client of special category. All these categorizations are captured in the back office system. Further, we regularly update the client's financial information as required by the SEBI circular. The turnover of the client is checked vis-à-vis the client's financial information. Also, the client's turnover in particular scrip is verified against the total turnover of that scrip on the Exchange on a given day.
- System of keeping a check on Volume of trading done by the client is in proportion to his financial details as disclosed in the KYC.
We periodically update client's financial information as required by the SEBI circular. The client's turnover is then verified against the income of the client updated in our records.
- Alerts for the same generated or not?
Yes, the alerts are generated based on the client's financial information vis-à-vis the client's turnover and also based on the client turnover in a scrip vis-à-vis the total turnover in that scrip on the Exchange. Also we regularly look at the Alerts generated by the Exchange System.
- Any Suspicious Transaction Report (STR) sent to FIU
No, till date we have not come across any suspicious transaction which is to be reported to FIU. However if at any time compliance officer or Directors come across STR they shall immediately report the same to FIU.



➤ Risk categorization of clients.

We have categorized all our clients in low risk, medium risk and high risk from the money laundering perspective. Further, we have also identified clients of special category (CSC) as required by the PMLA act. The CSC clients are also categorized as high risk clients. The above categorizations are properly captured in our back office system.

3. Introduction/Registration of clients

➤ Basis of accepting as client

Client should be introduced by any existing client / employee / Directors / Authorised persons or Sub Brokers of the company or any other person personally known to the top management. Clients are registered only after receiving all the client registration documents and relevant supporting as required by the SEBI / Exchange rules and regulations.

➤ Procedure for In-person verification of clients and maintenance of proof for the same, specifically in respect of out station & sub-broker clients

A Client account is opened only after the person is introduced by any Sub broker / existing client. The client is interviewed by our company official and all Xerox copies of relevant documents are verified with their originals and in person verification stamp are affixed. All Pan Cards received are verified from the Income Tax / NSDL website before the account is opened.

➤ Whether Client Registration Documents (CRD) given to new clients & to existing clients, on demand. Also, whether UCC & email ID communicated to clients on CRD or separate letter, and proof for the above.

Yes we do send CRD to new clients and existing clients on demand. Further, we also send a welcome letter to our clients giving details about the allotted UCC and client email ID registered with us.

➤ Do you outsource client registration modalities?

No, we do not outsource client registration modalities.

➤ Do you entertain walk in clients? If yes, what are risk mitigation measures taken in dealings with such client.

No, we do not entertain walk in clients.

➤ Process of record keeping and retrieval of client registration document.

We keep client registration document at our office.

4. Funds:

➤ System of pay in and pay out of funds from / to clients

Customers have given written authority to us for maintaining running account of funds. Payout of funds is released as and when customer requests for the same. The said credit of the funds is even adjusted towards Margin requirement in Derivatives segment of respective client, if required, Cheque against purchase should receive from Client's Bank A/c and no third party cheques are accepted. Further, as required by the SEBI circular, we settle client funds and securities every quarter / Month as per the preference of the client.

➤ System & source of pay in and pay out of funds in case of Own trading

Pro Trading is sourced from OWN Funds Only.



- Procedure of Margin collection, if any from clients & maintenance of records thereof
Margin from client may be collected in the form of cash or security. For securities normally haircut as prescribed by the Exchange is applied. In such cases our risk management team decides about the extent of the margin to be collected from client. Further, the Exchange requirements for client's margin are also followed. All the customers are allowed to trade in derivatives segment only after receiving sufficient margin by way of cheque / securities from them.
- Any funding is done to the clients
No, we don't do any type of funding to clients.
- Credit / transfer of Dividend to the clients / own dividend
Dividend is credited in client A/c to which shares belongs. Dividend is credited to clients A/c as soon as it comes to the knowledge of the company. Knowledge could be either through advice received from the company or amount received in bank or by way of Bank Reconciliation.
- Procedure followed in case of default by client/ sub broker's client
Company follows very conservative RMS policy and exposure is given only to client whose collaterals are lying with us. In case of any debit in clients account, regular reminders are sent to the client for payment of dues. In case client fails to respond to our calls or fails to make payment then his/her/its securities are liquidated up to the extent of amount recoverable by us. RMS team takes care that debit receivable from any client is not outstanding for longer time period.
- Payment to sub brokers / remisiers
Sub broker / remisiers are paid only through cheque / RTGS. Due care is taken before paying to sub broker / remisiers to ensure that only the amount which is due to the sub brokers / remisiers is paid.
- Any third party transfer of funds? If yes , policy in this regard
We do not accept / pay third party transfer of funds.

5. BOLT Terminal

- Procedure of accepting & placing of orders
Company routes customer's orders through Trading Terminal. Client are first mapped in on particular terminals and orders can be punched in through such empanelled terminals only. Thus due care is taken that orders are not punched on anywhere / anyone basis. Access to Trading Terminal database is allowed only to authorize user and system has a password mechanism which restricts access to authenticate users. Only orders that are within the parameters specified by the Risk Management Systems are allowed to be placed. The client places the orders through phone to their respective RM. The client identity is verified before accepting the order.
- Factors determining the trading limit for each terminal / client
Client Trading Pattern, Their previous Record of pay in of Funds & securities, Clients Financial Position updated Regularly by VFC, their Existing Outstanding position and any Other information may deemed fit by management is taken into consideration before clients limits are setup / Changed on terminal.



- Control over operator to ensure that he is entering authorized trades only
Operators do confirm the identity of the client properly before placing the order. They also give confirmation to client after placing orders. We also send SMS to clients at the end of the day in addition to the SEBI / Exchange required documents to be sent.
- System in place to check certification of approved users has not expired
Our IT staff regularly checks whether certification of approved users has expired or not.

6. Contract Notes

- Whether printing of contract note is centralized? If not, Place from which CN are printed.
Yes, printing of Contract Note is centralized.
- Procedure for printing CN in case of outstation clients / sub broker clients
Contracts are issued to clients within 24 hours of Trade Day. Contracts are E-mailed to all customers daily along with Margin Statement. Over & above this, if any client request for Physical copy of Contract, we shall give the same to the client in person or courier. In case E-mail is returned then physical contract note is issued to the client immediately.
- Basis of numbering
Numbering is system base. The numbering is renewed every year.
- System for maintaining duplicates & acknowledgement for CNs
We do maintain LOGS or POD for CNs.

7. Securities:

- System of pay in and pay out of securities from / to clients
Security should be received from client's demat A/c only for margin as well as for pay-in obligation. Security should be given to client in his/her Demat A/c only. Security should not be delivered to third party on behalf of clients. Security to client should be released only after receiving the funds / dues, except in certain cases where management does not feel any risk.
- Separate Own Beneficiary Account maintained or not
Yes, we do have separate Own beneficiary account.
- Separate Client beneficiary account maintained or not
Yes, we do have separate Client beneficiary account.
- Client wise segregation of securities maintained or not
Yes, we do have client wise segregation of securities.
- Whether Clients' securities maintained with Member
Yes, we do maintained client securities with us for the purpose of margin obligation and of clients having debit balance.
- Procedure for check on Third party security transfer/ acceptance



Yes we do check. The client master is updated in the back office system with the client's demat account details. Thus, our software helps us to ensure that securities are received from the respective client demat account only.

- Policy to ensure that client's securities are not mis-utilised for own purposes or for any other client.

The respective clients securities are used only for that respective client. In fact even if the client instructs to use the securities for any other client (like the client relative, etc.); still we do not use the clients securities for the purposes of any other client. All the securities of the clients are kept in the client beneficiary account only. We have client wise scrip wise and scrip wise client wise breakup of all the securities lying with us which help us to ensure that a client's securities are not utilized for any other client purposes.

8. Internet Trading –

Internet trading offered to clients / Authorised person and sub brokers Only through NOW. In case of AP and Sub-brokers, the care is taken that they possess valid NISM certificate wherever required. All Limits are setup in Admin terminal of NOW to ensure that no wrong trades of unreasonable Rates / Quantity / Values are punched by Mistake.

9. Execution of POA (Power of attorney) (if applicable) -

- Process adopted for execution of POA.
Company is also acting as Depository Participant with NSDL. Most of the clients who have trading account with us also open Demat account. To facilitate payin on regularly basis Clients have given POA and such POA is used only for payin and Margin purpose and no off market instruction is allowed without a proper Delivery instruction slip.
- Internal control adopted to ensure that POA is not misused.
Company has obtained POA in the name of the company. Such POA can be revoked by client any time by just giving us intimation in writing. DP audits are conducted on regular basis and company ensures that client's securities are not misused and operation are followed and complied with depository regulations.

10. Opening & closing of branches

- Procedure adopted for opening & closing of branches
At Present we do not have any Branches. In case as and when we open Branches, details of Operations will be documented here.
- In case of closure of branches, how and when do you communicate existing clients?
Same as above.

11. Closure of client accounts / dormant account

- What type of documentation (both inward and outward) undertake for closure of account.
If any client wishes to close his trading account with us then he has to inform us in writing. His account is checked thoroughly and all the dues, owing to him / us are settled. Any margins lying with us by way of securities / cheques are returned to



respective clients after adjusting his debit, if Any. His exposure is blocked and unique client code is mapped out of the terminal.

- In case of dormant account (six month), what extra caution taken before execution of trade in such account
If no trade is executed in trading account for a minimum period of six months then that particular account is blocked for any further trades. If client intends to restart trading in the account then compliance officer will check the necessary details and after satisfying completely, he shall be allowed to Trade. Before clients start trading, it is necessary to verify the existing KYC, if client is dormant for a long time and compliance officer may ask the client to refill the KYC if necessary.
- Procedure adopted in case of very old dormant account (2 years old)
If no trade is executed in trading account for a minimum period of 2 years then that particular account is blocked for any further trades. If client intends to restart trading in the account then he / she has to personally visit our office along with the request letter for restarting the account along with self attested identity proof or any other document including new KYC, as required by us.

12. Receiving and Execution of Orders

- Mode of order acceptance at HO/Branches/Sub-brokers office/AP's offices
Company routes customer's orders through NEAT or NOW, client are first mapped in on particular terminals and orders can be punched in through such empanelled terminals only. Thus due care is taken that orders are not punched on anywhere / anyone basis. Access to NOW database is allowed only to authorize user and system has a password mechanism which restricts access to authenticate users. Only orders that are within the parameters specified by the Risk Management Systems are allowed to be placed. The client places the orders through phone to their respective RM. The client identity is verified before accepting the order.
- Any document is maintained for the clients who personally walk into the office and place the order?
Clients place their orders through telephone.
- System for identifying authenticity of caller when the order is placed through telephone.
Operators are allotted clients terminal wise. Operators know their clients as they are in touch with them on daily basis. If any unknown call is received to operators then they do confirm the client details (like PAN, date of birth, address, etc.) before placing orders.

For VFC Securities Private Limited.


Director

