

This section addresses the security measures related to Client POT that are identified by Risk Assessment Team.

**A. Client Acceptance Policy :**

SIHL strictly believe in full implementation of KYC norms and total observation of client risk levels. SIHL has developed a Client Application form where in, total documentation for each category of client has been outlined and check list is being filled by the person who is collecting client application form.

- a. No Benami account is opened
- b. All the required details are being physically checked, marked and verified by different degree of persons from Client Account Opening section, Trading Division personnel and also from DP Division for the sufficiency and accuracy of information.
- c. At both the Trading and DP Division, client reference needs to be checked
- d. KRA – KYC registering Agency has been established by the government and access of KRA facility should be availed for better KYC compliance.
- e. Details about previous trading activity, experience in the trading, business outline, etc needs to be observed and reflected at specific places.
- f. Residential address, Office address, Phone numbers and PAN are needs to be verified at different levels of client opening.
- g. E-trading client needs to be separately educated for systems operations and importance of passwords and risk exposures of e-trading.
- h. In all our Client Application Forms, authority is being obtained for Usage of Funds / Shares at time of any of the Defaults by client for pay ins and also Holding of Funds for outstanding payment obligations.

**B. Client Risk Category :**

CDD is to be performed for KYC norms and Internal observation of flow of transactions. Continuous tracking of Client transaction, verification of financial and correlating the same is part of monthly routine of SIHL surveillance team.

Clients are being bifurcated into different risk category for better monitoring:

(A) **High Risk Client:**

A client is under a high risk when he is identified / grouped as

- NRI client,
- All the Sub- brokers/ Authorized Persons
- Politically Exposed Person
- Companies offering Foreign Exchange Offerings
- Client having turnover more than Rs. 20 Lacs in a month for intra-day activity
- Client having monthly turnover of Rs. 50 Lacs in a Demat account
- An ID wherein trades less than 5 share has been found
- Clients who perform off market Traders more than Rs. 20,00,000/- in a month.
- Upon receipt of frequent alerts for the client from the Depository / Exchange / SEBI.

(B) **Medium Risk Client:**

A client is under a medium risk when he is identified / grouped as

- Not in the category of high risk but still the volume and activity is Critical
- Turnover in the account is not being routinely identified

(C) **Low Risk Client:**

A client is under a low risk when he neither in (A) nor in (B).

**C. Client Due Diligence :**

For CDD the measures that need to be taken are as follows :

- a) Identify your customer and verify his identity by using independent source document. Client needs to be identified for residence, business set up, reference etc and related proofs needs to be verified for completeness of KYC norms and correctness of information.
- b) Identify Beneficial Owner, verify his identity and get information about ownership and control structure of your customer.
- c) Obtain information on the purpose of business relationship and more importantly intended nature of the same and also ensure that whether the customer is a politically exposed person.

Team has to perform for the business relationships, trading experience and whether client or nominee has been politically exposed.

- d) Undertake risk profile of your client by utilizing KYC document.  
The same to be done by collecting Financial of clients, bank account details, trading cycle and experience, mode of payment and volume with respect to each points.
- e) Obtain sufficient information in order to identify person who is beneficially the owner of the transaction. Whenever it is being found that, the beneficially owner is different person than who is acquiring or dealing the security, the account needs to be scrutinized by the team for cross verification in detail and will be shifted at High Risk Client Group.

Team has to finalize a list of client IDs who are segregated for detailed verification in a month considering Risk Profile and Activity conducted. Each of the client is demanded for required information and necessary clarification pertaining to the activity undertaken in the respective account. Send all such writings by registered post and the details of the same with the list of IDs needs to be kept in the file for future reference.

Team has to verify the same by independent source document and following is insisted for detailed scrutiny :

- Client Information given at the time of account opening
- Bank and Depository Account details
- Investment / Trading Experience
- References : positive references of existing customers, friends
- Financial Income Proof & Income Tax Documents and resolutions etc
- Photograph
- Proofs of identity and address
- MAPIN / PAN / Passport / Driving License / Ration Card
- Nature of Transaction being undertaken

Adequate separation of duty should be imposed between (a) back office personnel responsible for trade reconciliation, margin, position limits, preparation and maintenance of books and records and other similar matters as well as compliance personnel, risk management personnel and treasury or funding personnel, and (b) personnel responsible for customer relationships. The authority of appropriate personnel in these areas should be clearly established. This will add CDD quality.