

Policy on Pre-funded Instrument

Objective:

The objective of the policy is to prevent acceptance of third party funds and to prescribe process to deal with instruments issued by third party when received.

Background:

SEBI vide circular no. SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003 has specified that the stock brokers can accept demand drafts from their clients. However, SEBI vide circular no. CIR/MIRSD/03/2011 dated June 9, 2011 and National Stock Exchange vide its circular no. NSE/INSP/18024 dated 09-Jun-11 has advised stock brokers to maintain an audit trail while receiving funds from the clients through Demand Draft (DD)/Pay Order (PO)/Bankers Cheque (BC) since such third party pre-paid instruments do not contain the details like name of the client, bank account number are not mentioned on such instruments. Non maintenance of audit trail may result in flow of third party funds or unidentified money which may result into breach of regulations issued under PMLA and SEBI circulars.

Policy:

As a Policy Basan Equity Broking Ltd discourages receipt of funds from the Clients through Pre-funded Instrument means i.e., Demand Draft, Pay Orders, Banker' Cheque, Fund Transfer through Internet, etc

This is to discourage the flow of third party funds or unidentified money into the System to avoid future litigations and comply with the Regulations of the regulatory bodies.

The Prefunded Instruments may be accepted under special circumstances with the permission of the Senior Management / Board of Directors. The special circumstances include:

- Continuous Bank Holidays.
- Client having account in other Banks or in Co-operative bank.
- To Meet Immediate Margin / Settlement Shortfall.
- To take Fresh Position.

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- Client's Bank or City do not have clearing facility.
- Non Availability of Cheque book or delay in procuring cheque book.
- Default Client.

Where the aggregate value of the prefunded instrument is less than Rs. 50000/- per day per client, the prefunded instrument is accepted only after ascertaining the genuine reason for the said prefunded instrument and after obtaining undertaking to that affect by maintaining the Xerox copy of the prefunded instrument.

Where the aggregate value of the prefunded instrument is Rs. 50000/- or above per day per client, the prefunded instrument is accepted only after ascertaining the genuine reason for the said prefunded instrument and after obtaining undertaking to that affect and accompanied by the name of the account holder and number of the bank account debited for the purpose duly certified by the issued bank. The mode of the certification may include the following:

- Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
- Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
- Certified copy of the passbook / bank statement for the account debited to issue the instrument.
- Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.

In case of any receipt of funds by way of Electronic fund transfer, an audit trail to ensure that funds are received from respective client only has to be maintained. Necessary details may be collected from banker at which the amount is received.

If the pre-paid instrument is received through post or any other method where client does not directly interface for submission of the instrument and the instrument does not contain the information as required above, the following action may be taken:

- Contact the client immediately and seek information. Not to bank the instrument until the information is given by the client.
- If the pre-paid instrument is bank transfer, contact banker immediately for the details; not utilize the amount so credited until the details are received and not to give credit to the Client until banker gives the details/certification.

While giving credit to respective client's ledger, Head office needs to cross check / verify with documents that such instrument is received from respective clients.

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The record of all such pre funded instruments received is maintained in the prescribed format.

Review:

This policy is reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs. This policy is monitored and reviewed by the Compliance officer.

Approval Authority:

This policy is as approved by the Board of Directors.