POLICY ON PRE-FUNDED INSTRUMENTS / ELECTRONIC FUND TRANSFERS

2nd floor, Thottathil Towers, Market Road, Cochin - 682 018.

Reviewed By:

Mr. George Mampilly, Executive Director & CFO
On 01-11-2019

POLICY NO. 6

POLICY ON PRE-FUNDED INSTRUMENTS / ELECTRONIC FUND TRANSFERS

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.

Terms used in this policy:

1. **Prefunded Instruments**- Referred as Pay Order, Demand Draft, banker's cheque etc.
2. **Electronic Fund Transfers-** Referred as transfer of funds using net banking

Policy:

As a part of our internal control policy we are strictly restricting Demand Drafts/Pay Order/Banker's Cheque towards the receipt of funds from the clients. In any exceptional case of receiving funds from the clients through pre- funded instruments, such as Demand Draft, Pay Order, Banker's Cheque etc., we are strictly complying the following conditions as per SEBI circular Ref.No: CIR/ MIRSD/03/2011 dated 9th June 2011:

a. Demand draft of the value of less than Rs 50,000 may be accepted from the client along with a DD Declaration from the client.

b. If the aggregate value of pre-funded instruments is Rs. 50,000/- or more, per day per client, such instruments may be accepted only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The mode of certification may include the following:

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

c. If a client submits pre-paid instruments at different times during the day, details and certificates as stated above may be collected along with the instrument with which the aggregate value of pre-paid instruments submitted exceeds Rs 50,000 for that date.

d. We are maintaining an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from the respective clients only. Necessary details may be collected from banker at which the amount is received.

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

Approval Authority:

This revised Policy has been approved by the Board of Vertex Securities Ltd.

Review Policy:

This Policy may be reviewed by the Managing Director / Executive Director / Compliance Officer 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 and place the changes in Policy before the Board at the meeting first held after such changes are introduced.

Policy communication:

A copy of this Policy shall be made available to all the concerned staff of Vertex Securities Ltd. and its Authorised Person, who are responsible for receipt of funds from clients.