UNIFI Capital (Private) Limited
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RISK MANAGEMENT MANUAL

UNIFI CAPITAL

INTRODUCTION

This document shall be the official guideline, policy and procedure to be followed by M/s. Unifi Capital (P) Ltd while carrying out its business activities as a trading member in the Stock Exchanges for effective risk management.

The objective is to effectively manage various risks involved in the business operations which may include default by clients, fraud and infidelity by employees, technological failure, misuse of trading system for unauthorised trades, market manipulations apart from protecting the interest of investors and ensuring effective and timely compliance of various applicable Acts, Rules and Regulations, Bye-laws, circulars and guidelines.

RESPONSIBILITY FOR IMPLEMENTATION

The document shall be used as reference by key personnel in charges of the activities namely client identification, introduction, surveillance, record keeping and personnel in-charge of executing and authorising the day to day transactions as well as by business associates such as Sub-brokers, remisiers, authorised persons, etc who are involved in the activities mentioned above.

The Compliance Officer shall have overall responsibility of implementing the policy on an on-going basis. He/She shall provide a copy of this document to all such existing as well as new key personnel and business associates from time to time and explain the contents and their responsibility in this regard.

CUSTOMER ACCEPTANCE POLICY

General Guidelines

- ✓ All officers of the company, sub-brokers, remisiers, authorised persons, etc., engaged in the process of prospect evaluation, client registration shall use this policy as a minimum guideline.
- ✓ Proper Due diligence of the prospective clients as to their financial standing, risk profile, past and present stock market activities, other business activities, proposed nature of their dealings shall be done
- ✓ All client documents shall be verified with originals by an officer of the company and certified as true and correct.
- ✓ **KYC procedures prescribed by SEBI/Stock Exchanges/Depositories, from time to time, shall be strictly followed before registration of any client.**

Client Registration Process

Each client should be met in person:

Unifi accepts clients only after a personal meeting by a senior officer of the company with the client. The client should either visit Unifi's corporate office/branch or concerned official may visit the client at his/her residence/office address to get the necessary documents filled in and signed. As far as possible, ensure that the new client is introduced by an existing client or by a senior officer of the company.

Accepts client on whom we are able to apply appropriate KYC procedures:

Complete information about the client should be obtained. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified

Do not accept clients with identity matching persons known to have criminal background:
Check whether the client's identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency. In case there is any suspicion, the client can be accepted only after thoroughly verifying and satisfying ourselves that the prospect does not have any criminal background or has not been banned from operating in the capital markets.

Be careful while accepting Clients of Special category:
Additional care should be taken while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc. or clients from high-risk countries or clients belonging to countries where corruption/fraud level is high. Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category

Do not accept client registration forms which are suspected to be fictitious:
Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.

Do not compromise on submission of mandatory information/ documents:
Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information/documents.

Customer Identification Procedure

Objective:
To have a mechanism in place to establish and identify the client along with acceptable proof of address to prevent opening of any account which is fictitious/suspicious/anonymous in nature.

Documents for Client Identification:
The following documents can be relied upon for client identification procedure. All documents obtained have to be verified with the original, by an officer of the company, who shall sign on the copy confirming verification of the copy with the original. The verifying official shall also affix his name and date of verification in the documents accepted for proof of identity and proof of address.

Identify Proof:
Any of the following documents, which carry a reasonably recent photograph of the client, can serve as the proof of identity. However if the photograph is very old and does not match with the current facial features of the client, some other identity proof wherein the facial features match with the client should be taken.

- *Permanent Account Number Card issued by Income Tax Department*
- *Passport*
- *Voter's Identity Card*
- *Ration Card*
- Any other proof of identity which may be decided by the management from time to time and intimated to the client through the client registration form

Address Proof:
For valid address proof we can rely on the following documents which is in the name of the client

- *Voter's Identity card*
- *Passport*
- *Bank Statement*
- *Ration card*
- *Latest Utility Bill (Telephone/Electricity/LPG)*
- Any other proof of address which may be decided by the management from time to time and intimated to the client through the client registration form

Documents to be obtained at the time of client registration

Individual Clients
Any one of the above listed documents for identity proof and address proof has to be obtained. As PAN is mandatory for all clients, copy of the PAN card should be obtained.

Corporate Clients
In case of corporate clients the following documents have to be obtained. The documents have to be certified as true by the authorized signatories.

- Copy of Incorporation/Registration Certificate
- Copy of Memorandum and Articles of Association
- Copy of PAN card
- Copy of the latest audited financial statements or copy of the latest income tax return filed or latest net-worth certificate certified by a practicing chartered accountant or practicing company secretary.
- Board Resolution for opening the account
- Board Resolution for appointment of authorized persons who will operate the account
- Proof of Identity and Proof of Address of the authorized persons

Partnership Clients
In case of corporate clients the following documents have to be obtained. The documents have to be certified as true by the authorized signatories.

- Copy of Registration certificate, if registered
- Copy of Partnership Deed
- Copy of PAN Card of Partners
- Authorization letter for the person authorized to open and operate the account
- Proof of identity and address of the authorized person
- Copy of Latest Audited Financial Statement or Latest Income Tax Return filed

Trust

- Copy of Registration Certificate, if registered
- Copy of Trust Deed
- Copy of PAN Card
- Proof of identity and address of the trustees
- Authorization letter for the person authorized to operate the account
- Proof of identity and address of the person authorized to operate the account (if other than the trustee).

Unincorporated Association or body of individuals

- Resolution of the managing body of such association or body of individuals.
- Copy of POA in favour of persons authorized to transact/operate on behalf of such association or body
- Copy of PAN card
- Proof of identity and address of the persons authorized to operate the account
- Any document to establish the legal entity or existence of such an association of persons or body of individuals

NRI – Repatriable/Non-repatriable

- Copy of PIS permission issued by bank
- Copy of Passport
- Copy of PAN card
- Proof of overseas address

Power of Attorney Operation

In case the account is operated through a POA, then a copy of the POA document and all relevant proof as mentioned above for the POA agent is also to be obtained.

RISK PROFLING OF CLIENTS

Objective:

Unifi shall categorize each and every client based on the risk that they are likely to pose. The aim is to identify clients likely to pose a higher than normal operating, financial and compliance risk and ensure that company is able to adequately monitor and apply requisite due diligence processes for such high risk clients. The objective is to ensure proper monitoring, analyzing and reporting to the relevant authorities suspicious transactions.

Client Category:

All clients would be classified into the three main categories:

- **LOW RISK**
- **MEDIUM RISK**
- **HIGH RISK**

Low Risk:

Clients who pose no risk or very low risk fall under this category. They are good corporate accounts, High Net-worth individuals, business families having a respectable social and financial standing. These are clients who would be expected to settle their trades on time and generally do delivery based business.

Medium Risk:

These are clients who would fall under the middle segment in the risk-profiling who are neither very risky nor extremely safe. Clients who do intra-day or speculative trades, clients who have a running account with the company, clients who off set debits through sales and vice-versa (i.e.) not many cash settlements, etc.

High Risk:

Clients with new businesses, clients who have defaulted in the past or who are very irregular in settlement of trades. Clients with possible suspicious background or unconvincing financial standing. Clients doing trades not commensurate with known sources of income/wealth.

VALIDATION AND EXECUTION OF ORDERS

- Since the bulk of the orders are for PMS, the orders are placed by the Managing Director who is also the Chief Investment Officer of the company.
- Other orders from Non-PMS clients are placed through specifically assigned terminal operators.
- The dealer shall place orders received directly from the client only or from the concerned senior Relationship Manager.
- Orders can be placed through written, email or telephonic instructions. Telephone conversations are recorded after informing the clients.
- Registered sub-brokers are allowed to follow stringent processes while accepting a client order and placing the same in the trading terminal.
- Sub-brokers shall be strongly guided to record telephonic orders placed by their clients.

COLLECTION AND MAINTENANCE OF MARGINS, SETTING OF TRADE LIMITS

- The requirement of collection and maintenance of margins in the Cash Market segment has been waived in general. However, after taking into account the risk profile of the client and the conduct of account, size and frequencies of the trades, type of scrips traded, the Senior Relationship Managers in consultation with the Compliance Officer decide to collect margins in the form of cash, securities, guarantees, etc on a case to case basis.
- In the derivatives segment margins as stipulated by the exchange has to be collected upfront in the form and manner permitted by the exchange. Orders can be executed only after adequate margins are collected. Margins for open positions shall be monitored on a daily basis and shortfall if any, shall be collected latest by the end of the T day.
- Trading limits are set by the Compliance Officer in consultation with the Relationship Manager, based on the financial standing, stature, risk profile, conduct of account, etc of the client. Trading limits may be altered viz. increased or decreased at the sole discretion of the Compliance Officer. He may act in such a manner he thinks fit to protect the interest of the company and the investors.
- In the case of clients having relatively large volume and regular trading activities, the payout of funds and securities shall be retained towards the upfront and daily margins.
- Securities shall not be transferred to the clients, to the extent required, if there is a due from the client for the shares purchased by the client.

COLLECTION/RELEASE OF FUNDS/SECURITEIES FROM AND TO CLIENTS

- Reconciliation of the trades shall be done between back office records with the NSE settlement obligation given by NSE.

- Payments due should be followed up from clients who have purchased securities and receipt of DIR / physical documents should be followed up from clients who have sold.

- If the money for purchase / delivery of scrips for sale are not received as per norms i.e. by T+1 the same should be reported to the branch manager/relationship officer immediately.
- Delivery of shares to the exchange for sale of shares shall be made into the securities clearing account with SHCIL on T+1 basis.

- Confirmation of securities shortage, if any, is to be given with value of shortage by 10 a.m. to Accounts Department on settlement day.

- Transaction statement shall be obtained from DP and reconciled for each settlement on a regular basis. Discrepancies noted shall be immediately brought to the knowledge of CFO and Compliance Officer. Reconciliation discrepancies, if any, shall be taken up with the DP and rectified immediately.

- Funds Payments to clients should be done whenever there are payout requests from clients on the same day on which the request is received from the client.

- Shares may be retained for clients who have debit balances, so as to cover the value of the debit. However the Compliance Officer may approve transfer of shares to such clients on a case to case basis when there is a debit balance, as he thinks is appropriate.

- All Positions must be promptly closed on completion of Pay out and Pay in.

- An exchange/segment wise segregated ledger shall be maintained with an option to view all exchanges/segments merged positions.

- Retention of balances/securities can be done strictly as stipulated by the exchanges/SEBI and an intimation for retention shall be sent to the client in the prescribed format.

MONITORING OF BRANCHES, SUB-BROKER AND DP OPERATIONS

- Monitoring of branches and sub-brokers shall be done centrally from the Head Office
- Our back office activities are centralized and in view of the very few branches and sub-brokers we have and considering the amount of trading activity that is carried out at the branches, there is no requirement to set up a separate monitoring mechanism at the branch/sub-broker level
- Sub-broker and branches activities are monitored on line through the surveillance desk and off line through daily MIS reports.
- Branches and sub-brokers are inspected at least once a year, through a site inspection, by one of our senior officers' viz. Compliance Officer or Chief Financial Officer.
- The branch inspection report is placed before the management for review and suitable action, if any.

OPERATIONS AND COMPLIANCE REQUIREMENTS

- The daily operations shall be monitored by the Compliance officer.
- The on-line surveillance desk is also be monitored by the Compliance Officer – where real time client wise/scrip wise positions, MTM Margin requirements, available margin and exposure limits are monitored.
- Various types of limits on trading terminals are set up and updated dynamically during live market
- As an off line measure, risk management reports are generated which enables to have a quick look at the status of any individual account or a group of accounts or for the clients of particulars sub-brokers all exchanges/segments.
- The various compliance requirements of all the exchange/segments shall be ensured by the compliance officer.

DISASTER RECOVERY PLAN

All Information Technology infrastructures shall be in charge of the Executive Director and Compliance Officer. Sufficient and competent back up man power to manage the trading system failure during live market shall be available at all times

There shall be uninterrupted power supply provision. There shall also be a provision to quickly switch over to a power back up through a generator in case of prolonged power failure.
In case of disaster, we can commence operations immediately, as all suppliers are within the city and will be able to supply all materials without any delay.