

**INTERNAL CONTROL POLICY WITH RESPECT TO BROKING OPERATIONS
OF GDB SHARE & STOCK BROKING SERVICES LIMITED**

1. Client Due Diligence:

We apply the usual client due diligence measure prescribed under KYC norms. Additionally, we does not take walk in clients or person unknown to us as clients. The format in which we conduct the client due diligence is part of our KYC form.

2. Assessment of financial capability of client:

We take from clients on an annual basis financial statement for assessment of financial capability of client as per SEBI requirement as amended from time to time (corporate & derivatives Clients are mandatory).

3. Process of record keeping and retrieval of client registration documents:

All client registration documents, once checked found complete and verified as such and the accounts opened, are stored in safe vaults in a sequential manner. We can retrieve the physical records on an easy basis.

4. Updating of client financial and other client particulars:

We take on an annual basis

- (a) Mandatory documents as required for financial status to all clients and update the financial particulars (Corporate & Derivative segment clients.) It should be an annual exercise of updating of client particulars.

5. Client Master Modification:

On an annual basis, there is a regular updation happening. However, in between , if the client wants to modify any details, he/she/it is enabled to do so by filling up a Client Master Modification Form and submitting to us the documentary proof of modified detail.

6. Systems and process adopted for UCC upload:

From our back-end, we generate file for the client containing data of market segment, client code, client name, PAN, address in the format prescribed by NSE/BSE. The data generated are thereafter verified with KYC . on the data being found fully correct, the client is uploaded on UCC-site of NSE/BSE. after uploading ,we run a check on the UCC site by entering the specific client, whether or not the client details are actually uploaded on UCC-site. after verification of record success from the Exchange data we map the respective client code in trading and back office software.

7. Cheque Bouncing Charges:

The client undertakes to ensure that all the cheques issued by him/her/ it to GDBSS are honored by the bankers. In case of any cheque bouncing, the charges for the same, as levied by the bank on GDBSS will be debited to the client's account. Also, the cost of legal proceeding against client, initiated towards cheque bouncing, will be debited to the client's ledger. The client agrees and understands the same.

8. Process of client code closure:

First the client has to give a request for closure in the prescribed format duly signed. On receipt of such request, the account is checked for any outstanding balance either debit or credit. If it is a debit balance, the client is asked to clear it. In case of a credit balance, the same is paid to the client. Similarly, a check is carried out in the settlement department to ascertain :

- i. The securities lying with us as margin or pending pay-out to the client.
- ii. Whether the client has any outstanding position in F&O segment (NSE and BSE), Currency Derivatives (NSE or any other Exchange) or outstanding pay-in position of securities or a pay-out from Exchanges in pipeline. In case of any outstanding position, we either let the client pay off the same, (if it is an owing) or wait for the transaction to come to a close so that we can crystallize either the client's liability for pay-in or our liability to settle the securities due to the client.
- iii. whether any notice issued to the client is pending reply and any liability arises to the company or client as a result of client's action / inaction for which the notice has been issued. There is prescribed process sheet, for monitoring the above points before taking a decision whether or not the client's account can be closed.

Once the client is cleared for closure, the client's account is closed, and an intimation is sent in the format of a letter.

9. Precaution with respect to dormant process:

All dormant accounts (inactive for twelve months and more) are made inactive in our system. Hence it is not possible to execute a transaction in dormant accounts. However, a client can re-active his/her/its dormant account by giving us in writing along with current supporting documents of clients to activate the account.

10. Arbitration/legal Expenses:

In case of any arbitration/legal proceedings initiated by GDBSS for the client and the final arbitration award/ court decision is in GDBSS favour , then the cost incurred by GDBSS towards arbitration/legal case, will be debited to the clients ledger by GDBSS . The client understands and agrees to the same.

11. Process of client transfer from one sub-broker/authorized person/remisier to another:

The client has to give in writing in prescribed format requesting transfer to another sub-broker/ authorized person/remisier under his/her/its signature and also under the signature of the new sub-broker/authorized person/remisier, to whom the client would like to be affiliated.

12. Risk management Policy:

This policy has been defined separately and can be seen therefrom.

13. Policy for transfer of client trades:

This policy has been defined separately and can be seen therefrom.

14. Unauthenticated news circulated policy:

This policy has been defined separately and can be seen therefrom.

15. Anti Money Laundering & Combating Financing of Terrorism Policy :

This policy has been defined separately and can be seen therefrom.

16. Policies and Procedures with Client Dealing :

This policy has been defined separately in KYC Kit and can be seen therefrom.

17. Pre-funded instruments / electronic fund transfer Policy :

This policy has been defined separately and can be seen therefrom.

18. Investor Redressal Mechanism :

It is not our policy to record complaints received through telephone call. However, complaints received through letter, e-mail and personal representation (we urge upon client to put it in writing and give it to us) are duly recorded by us. We try to resolve the complaints within seven days time period depending upon the nature of the complaint. There are different levels of attending the complaint. Ultimately compliance officer take care of the resolving the issue of clients.

19. Policy of Limit setting in case of new terminals :

Limits are set to the mark-to-margin limit equivalent to sub-broker's/authorized person's deposit, in case of new terminals. This means that the moment the trading loss reaches an amount equal to Sub-broker's / authorized person's limit, the terminal will automatically be disabled. Unless the sub-broker / authorized person replenishes the margin, the sub-broker / authorized person will have no trading limit for the day. That means, no new positions can be created from the terminal. However, setting-off of already created positions would be allowed.

20. Control mechanisms to ensure that sub-broker / authorized person terminals are not misused :

If there is no volume happening at sub-broker's end even after a long period after opening, we may ask the sub-broker to surrender the terminal. Similarly if there are no client registrations happening from a sub-broker even after a long time of opening, we may ask the sub-broker / AP to surrender the terminal. In either case, the suspicion is that the sub-broker / AP could be using the trading terminal as a mere reference point for undertaking deals on the curb.

21. Procedure for Opening and Closing of sub-brokers / authorized person / remisier :

Whenever the sales person spots a prospect, he visits the prospect and converts him/her/it either into a client or a sub-broker/authorized person/remisier. If our terms and conditions are acceptable to the prospect, the sales person does refer him. If the management accepts him as an associate, the process of documentation is initiated. When the prospect has executed the documents, there is a complete internal process right from receipt of documents upto dispatching the same to NSE / BSE for registration. For closure of a sub-broker / authorized person / remisier, the following steps are executed :

- a) We bring zero all balances in the accounts of clients mapped to this sub-broker / authorized person / remisier.
- b) We ascertain whether any dues are outstanding from the sub-broker / authorized person / remisier or any other fee of any vendor or service-provider. If there are such dues, it is debited to sub-broker's / authorized person's / remisier A/c.
- c) The share of brokerage due to sub-broker but not yet accounted for is credited to the Sub-broker / AP / Remisier A/c.
- d) We take a letter from sub-broker / authorized person / remisier wherein he states that he would like to cease operations as a sub-broker / authorized person / remisier affiliated to us.

- e) We issue notices to all the clients registered under the sub-broker / authorized person before one month, declaring the intention of the sub-broker / authorized person / remisier to cease affiliation to us. The idea is that if any client has had any financial dues from the sub-broker / authorized person / remisier, he / she / it can approach GDBSS with respective claim.
- f) In case the sub-broker / authorized person / remisier informs us that all the clients or specific clients would like to move with him, we ask the sub-broker / authorized person / remisier to give the client's intention in writing to close his account. If the client gives it to us in writing, we close the client account.
- g) Where there are clients not wishing to move, we map these clients either to our Head Office or to another broker for which the client and the incoming s sub-broker / authorized person / remisier have to agree to it in writing.

22. System in place to generate alerts for suspicious transaction :

Alerts are based on following factors :

- a) Sudden disproportionate increase in client's trading.
- b) A client trading beyond declared financial capacity.
- c) Introducing third party cheques in settlement of pay-in dues.
- d) Making off-market transfers to the same demat account(s) immediately after receiving securities in pay-out.
- e) Introducing Demand Drafts in settlement of pay-in dues.
- f) Any other act that arouses suspicion.

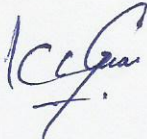
If a client is always indulging in one or all of the above in an on going manner, we put him / her / it under special watch.

23. General:

- a) The client understands and agrees that it is the prerogative of GDBSS to open any new trading account for any client. GDBSS can refuse opening of any new account for any client. The client agrees and understands that it can insist, on a matter of right GDBSS to open the trading account just because they have filled up the registration kit.

- b) Any person coming to the company for any enquiry shall be dealt with only by the person on duty at the reception who shall after ascertaining the details get in touch with the concerned person at the concerned department.
- c) There upon the person at the concerned department shall either furnish the details called for over intercom and, wherever found necessary, go to meet the person at the reception and discuss with him in the meeting rooms provided at the reception.
- d) Thus no outsider shall have free access to any place in the office beyond the reception point or the department or the any system.

For GDB SHARE & STOCK BROKING SERVICES LIMITED



DIRECTOR

GDB SHARE & STOCK BROKING SERVICES LIMITED

CIN : U67120WB1995PLC071952

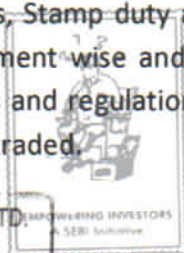
ADDENDUM TO INTERNAL CONTROL POLICY WITH RESPECT TO BROKING OPERATION OF GDB SHARE & STOCK BROKING SERVICES LTD

Common Contract Note:

It has been decided by the Board of Directors to issue common contract note to the clients w.e.f 1st April, 2019. A single contract note number will be given for the trade of the day across all exchanges and segments. Separate settlement numbers will be printed exchange wise and segment wise. Pay-in and Pay-out obligations, Securities Transaction Tax, Service Tax, Exchange Transaction Charges, SEBI Turnover fees, Stamp duty and Net amount payable and receivable by client will also be printed both segment wise and exchange wise. As each exchange and segment have their own rules, bye-laws and regulations, any dispute will be settled according to the rules applicable on the exchange traded.

For GDB SHARE & STOCK BROKING SERVICES LTD.


DIRECTOR



Date : 25.03.2019

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