

**SHUBHAM STOCK BROKING SERVICES
PRIVATE LIMITED**

Policy on Pre-funded Instrument

CONFIDENTIAL

Policy on Pre-funded instruments / Electronic fund transfers

SEBI vide Circular No. SEBI / MRD / SE / Cir-33 / 2003 / 27 / 08 dated August 27, 2003, while specifying the mode of receipt and payment of funds, has permitted the stock brokers to accept Demand Drafts from their clients.

But it was observed that the stock brokers were unable to maintain an audit trail of the funds so received, as the details of the name of the client and bank account-number were not mentioned on such instruments. This may have resulted in flow of third party funds / unidentified money, which was not in accordance with the provisions of the aforesaid circular and would also affect the integrity of the securities market.

So, on June 9, 2011, SEBI vide Circular No. CIR/MIRSD/03/2011 clarified the procedure by which any pre-funded instruments, such as, Pay Order, Demand Draft, Banker's cheque, etc., can be accepted.

In view of the above, following procedures and documentation to be maintained while receiving funds from the clients through pre-funded instruments, such as, Pay Order, Demand Draft, Banker's cheque, etc.:

a. If the aggregate value of pre-funded instruments is Rs. 50,000/- or more, per day per client, accept the instruments 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.

It is the duty of the compliance officer to ensure that no Pay Order, Demand Draft, Banker's cheque should be accepted in the organization if the above mentioned criteria is not fulfilled. The compliance officer will also maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their clients only.