

# ***AIONION CAPITAL MARKET SERVICES PVT LTD***

## ***Systems & Procedures***

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***Last Review Date: 01/08/2024***

**Introduction:**

AIONION got itself registered with National Stock Exchange (NSE) on 31<sup>st</sup> of January 2012 and initiated trading by 20<sup>th</sup> of April 2012.

**Client Registration:**

Having started the trade with National Stock exchange. The branch employees and Authorized Persons will bring in new clients for AIONION and walk-in clients are currently not entertained. New clients get themselves registered by dully fulfilling all prerequisites that are made mandatory. Prerequisites prescribed are filling up KYC form in the format prescribed by NSE, submitting documents like address proof, ID proof & PAN apart from providing bank details and cancelled cheque.

**KYC:**

All formalities like filling up KYC form are taken care wholly by AIONION and these modalities are not outsourced. While receiving the form from clients proper scrutiny is done to confirm that all columns are filled and no space is left blank to avoid any kind of misuse.

A person can carry on trading only if he has good financial background so the client's financial capability is assessed by getting their current Bank Account statement.

Clients are made aware of the risk associated with the trading through the Risk Disclosure Document (RDD) provided in KYC once they step in for registration. Also measures are taken to provide the RDD in their hand for any further reference that may arise in future.

When the formalities of registration are in process AIONION staff / APs of AIONION will do the in-person verification of the client during the client meet for further confirmation. Once all verifications are done the details will be entered in data base maintained at back office and the same will be uploaded in the respective exchange through the Unique Client Code (UCC) option provided in the Exchange site.

All these documents related to registration are maintained properly for future reference by the back office and all facilities are enhanced to retrieve such records at any time.

Client financials are updated at the back office. Demand Draft or Cheque or etc., that is provided by client for pay-in are submitted in branch. Branch makes an entry in the ledger and sends scanned copy of it to the Payin team in back office. Payin team verifies the same and authorizes. On authorizing the same is notified to the RMS team and so the trading of client continues.

Any modification with the client details like change of address, contact details, e-mail id etc. are updated with the help of ASSIST team working in the back office through the KYC modification format which has to be signed by the client along with a supporting document of the respective modification.

There is no separate Marketing division for the company to promote as of now. No promotional schemes are currently launched. No discounts or offers like free DEMAT A/C are made to the clients on registration.

**Closure of client accounts/dormant account:**

When a client approaches for closure of account he is asked to give a written document of the request. Also supporting documents like ID proof or PAN. The same is forwarded to the ASSIST team where-in

any defaults or pending margin or any debit balance is checked before the closure of account. On closing all stocks/securities in his account is transferred to his beneficiary account.

There is an option of transfer of clients from one branch to another. There are two different ways of transfer which is either on request of client or directed through branch for any valid reason. For the former case the client has to give a written letter to the concerned branch and clients account is verified for any debit balance or defaults. A letter is forwarded to the designated branch for their acceptance. All these processes are directed through the ASSIST team and the client ledger account is then modified. In latter case where the branch raises the request of transfer, clients' written consent is accepted before transfer and other processes are same as above.

### **Order Receipt and Execution:**

All orders received from clients or through person directed by clients by means of telephonic conversation are recorded for security purpose and such conversations are maintained till date since inception.

All trades are executed only with the confirmation of client which is either through mail or telephonic conversation. No order is placed on behalf of the clients. Telephone/mobile number from which call is made is verified for the confirmation of the respective client for the receipt of order.

### **Sending contract notes, Daily margin statement, Quarterly Statement of Accounts to Clients:**

Contract notes and Daily Margin Statements are sent to every client who traded on a particular day at regular basis. The process of sending documents to clients is as follows:

- AIONION maintains i-sign software to generate contract notes, margin statement and quarterly statement of accounts.
- At the end of trading day all transactions that has taken place are automatically updated in the software.
- On beginning of the day all the Contract Notes and Daily Margin Statement are generated.
- Through i-sign software Contract notes & Daily Margin statement are sent to the respective clients who traded the previous day on daily basis.
- Logs of mails sent to the clients are generated and saved by the back office.

None of the above processes mentioned above are outsourced. Clients are provided the contract notes, Margin statements and Quarterly statement only by digital mode and hard copies are not provided. Mails are sent to clients' mail id provided by them while filling the KYC form. There is no system of creating an E-Mail id for the client by AIONION.

If the client wants to change his mail id, he has to fill a Modification Form provided in the Branch and send the filled up scanned Modification form along with supporting documents to the ASSIST team. After authorization of the request Mail id will be updated in the client account.

### **Liquidation of client position:**

#### Square off:

A process whereby investors/traders buy or sell shares and later reverse their trade to complete a transaction is called squaring off of a trade.

In the back office the RMS team constantly watches the trade of clients apart from other risk management services. Clients trade in online or offline mode. In such cases RMS team square off the clients trading account for two reasons, either default of Pay-in or insufficient Margin. Before Squaring off the clients' account a message will be sent to them through the message log in the application and in some cases telephonic calls are made from the branch for authorization of the client. Clients are given explanation of such situation.

While the clients are intimated about the limit for square off through message log clients can bring in required margin before the limit exceeds. Client can intimate the back office by sending a mail to [payin@AIONIONCAPITAL.com](mailto:payin@AIONIONCAPITAL.com) attached with a scanned copy or screen shot of the payment made. Clients can bring in the excess margin by following means

- Fund Transfers like RTGS/NEFT/ECMS
- Cheque deposit (accepted after clearance)
- Payment Gateway Transfer

Back office updates the payments made in the client ledger account. Records of client margin calls made are maintained.

### **Policy of Internal Shortage:**

We have followed the policy prescribed by the Exchange in case of any internal shortage issues

*Shortages in obligations arising out of internal netting of trades:*

AIONION shall have the right to adopt a policy of its choice for internal auctions arising out of internal netting of trades and charge to defaulter seller and compensate the impacted purchaser as per the policy. The current procedure for internal auction is displayed on the website, which may be amended from time to time with prospective effect after publishing the same on the corporate website. The client hereby agrees that if he/she/it has short delivered any securities against his/her/its pay-in – obligation which resulted into internal shortage, i.e. buy position of another client of AIONION, self auction of Internal short scrip will be carried out by AIONION.

*Internal Shortage in NSE:*

In case of internal shortage of security in NSE, the securities will be bought in the open market by AIONION in NSE on T+2 day or on settlement day. The seller client will be debited at sale rate or at the rate at which stock bought by AIONION in the open market, whichever is higher. Securities payout will be passed on to the buyer. The profit, arising on account of buy rate lower than the sell rate, the benefit, if any, will be passed on to buyer. In case of or any other reason whatsoever, if AIONION is unable to buy such quality in NSE as the case may be the outstanding security pay-in obligation of the seller client shall be closed out at the rate of the closing rate of T+3 or on the next settlement day plus penalty calculated as below. The buyer client will be credited at same closing rate at which seller client was debited.

*Shortage from Exchange:*

In case of short delivery from the exchange, the securities shall be delivered to the purchaser on the deliveries received from the exchange.

**Transfer of Trades:**

Trade orders are made in the terminals on the direction of clients. On an unexpected situation order might be placed wrongly in different client code. In case of such circumstances on having genuine & valid reason for mistake, Trade Transfer is initiated.

The concerned branch or sub-broker is contacted for clarifying the doubts that has arisen regarding the mistake. Instructions are given to the branches and sub brokers to verify the client code with the name of client when order is being placed.

**Investor Redressal Mechanism:**

Clients trading with AIONION are provided the best service possible to make them completely satisfied. In case investors or clients have any grievances with AIONION can register their complaints with the branch or mail to [grievance@AIONIONCAPITAL.com](mailto:grievance@AIONIONCAPITAL.com). Such records of Register of Complaints are maintained centrally. Compliance executive / in-charge will resolves the investor grievances that are raised. In case any complaint is left pending the issue is escalated to the senior Compliance officer for speeding up the process.

The Board / CEO / MD will review the investor grievances as and when required based on the grievance escalation.

The investor grievance mail id promptly displayed in our web site and same has been communicated to all our clients through client registration form.

Clients receive their Margin statement, Contract notes, Trade confirmation and etc. through digital copy and in case there is any default they can approach their respective branch or sub-broker. Clients' feedback on such matters is received in branches.

Proper analyses are made during the investigation for the origin of Lapses/Fraud. Grievances are sorted out as fast as possible and steps are taken to resolve them. There is no concentration of complaints in any branch and measures are taken to avoid such issues.

Clients/investors are informed about the e-mail for Redressal of their grievances and it is available in website. All investor complaints as per Exchange records are recorded in the register of complaints. All complaints received by way of letter, telephonic calls, personal representation, e-mail, etc are recorded in the Register of Complaints.

Currently there is no system of receiving cash from clients for any trade. Cheques and Demand Drafts are accounted in the ledger by the back office once it's credited in the bank account. If in case it is not accounted then mails or telephonic calls made from clients or branches are followed up.

AIONION operates all its functions relating to ASSIST, Accounts, RMS, IT and Compliance from the back office. AIONION has only one back office software for maintaining the client level information.

Account that is not traded for more than 6 months is called Dormant Accounts. Such dormant accounts are blocked from trading until re-activation. A person cannot place order from the dormant account unless the blockage is cleared.

Person of Authorization (PoA) is not given to any employee of AIONION at Head Office or Branch to operate client's bank or Demat Account.

**Allotment /Surrender of Trading Terminals, Opening & Closing of Branches:**

In case of opening up a new branch or allotment of new terminals limit is set for each terminal. Limit is set with certain criteria's like net worth of the branch and etc.

If in case any of the terminals is surrendered the clients of that respective terminal are mapped to other terminal for trading without affecting the continuance of service. Any surrender of the terminal is intimated to the Exchange in advance.

Currently AIONION uses NEST trading platform. Branch offices or Sub-Brokers cannot punch orders if the trading platform is not from terminal approved by vendor, i.e., NEST. Such approved terminals cannot be used for any unauthorized/illegal purpose as the RMS team in back office has an eye on every transaction being made through AIONION. Any suspicious transaction would be figured out and blocked in case it is clearly known to be illegal. Authorization of transactions is made only from back office so no issue will arise regarding authorization with respect to Branches or Sub Brokers.

AIONION acts on alerts like insignificant number of clients registered at a particular location but having a large no. of transactions or very low volume despite being operating for long time making branch operations unprofitable, etc. RMS team working from the back office if detects such suspicious transactions will block all those client codes and will immediately report to the Compliance Officer for further measures to be taken.

**Procedure for Opening a Branch:**

AIONION currently has few branches that are centralized. If there is sufficient number of Sub-Brokers in an area then steps are taken to open a branch in the same to facilitate the operations and provide a trading terminal for further enhancement. Initially the number of brokers in an area or region is noted and if there are better business opportunities and handful of clients then steps are taken start an analysis. The total cost required for the infrastructure to be provided is calculated. If it is feasible and if we receive positive report from the analysis, measures are taken to start up a new branch.

AIONION conducts a meeting of its partners to discuss on opening of a new branch. Consent of all partners is acquired. An application is made to Exchange for starting a new terminal. Approval for starting a new terminal is acquired from the exchange after through scrutiny. On getting the approval a new branch is opened.

Existing clients are informed either through mail or telephonic conversation about the opening of new branch and are mapped to that respective branch. Sub Brokers are intimated of the same. Recruitment of new qualified persons is performed parallel. Once all the pre requisites are accomplished the trading in new branch is begun.

**Procedure for Closure of Branch:**

Branches may be closed for any genuine reasons. Reasons could either be continuance of it has no purpose due to drastic decline in number of clients or in case the expenses made exceeds the income gained.

On such circumstances meeting of partners is conducted and a resolution is passed for its closure. Intimation to the exchange is given in advance with the due reasons. Clients are intimated about the closure of branch either through mail or telephonic conversation and such records are also maintained. Clients are then mapped to the nearest branch after obtaining their consent. Sub –brokers are also intimated of the same. If there is any client debit balance from the sub-broker or branch, measures are taken to settle the accounts of clients due from sub-brokers or branch before relieving.