

## **ABSOLUTE BROKING PRIVATE LIMITED (ABPL)**

### **POLICIES & PROCEDURE**

#### **RISK MANAGEMENT SYSTEM (RMS) POLICY**

A Risk Management System is integral to an efficient Risk system. **Absolute Broking Pvt Ltd (ABPL)** has implemented a complete risk management system, constantly upgraded as per the Exchange, SEBI norm, and the Market Movement.

RMS Function includes:

SEBI Stock Broker Registration No: INZ000317833 | Membership No.: BSE: 6869 | NSE: 90421 | MCX: 57370 with Registered Office: Shri Devi Park, No. 1 Ground Floor, Hanumantha Road, Thyagaraya Nagar, Chennai, Tamil Nadu, India-600017. Landline: 044 4796 1590

This risk management policy document has been designed to understand the margin policies of the company in the Equity and Commodity trading segments. Risk Management is an integral part of any organization. Various risks include **Credit Risk, Market Risk, Default Risk, Liquidity Risk, Delivery Risk, etc.**

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#### **Settlement / Margin Obligation -Exchange and Regulatory Requirements**

In order to enable **ABPL** to meet the obligation on behalf of the client (including upfront margin, cash/collateral deposits, and timely settlements), **ABPL** seeks the client's co-operation to maintain **adequate margin**, make **timely settlement** of obligations, and **top-up margin** by the scheduled date.

#### **Exposure Setting Policy**

Customer Trading Limit: As per exchange guidance, after applying the **Absolute Broking Pvt Ltd** defined haircut (if any).

The trading limit that is available to the customers is a function of their combined ledger, which is available to customers across all segments, along with the value of the pledged securities.

- A **margin-based limit/exposure** will be set for clients for transacting in the **Cash and F&O segment**.
- Clients must pay the upfront margin as per the VaR requirement, subject to a **minimum upfront margin of 25% OR as per exchange requirements, whichever is higher**.
- Available margin is computed based on: **clear credit** lying in the Client's ledger and **client securities pledged** with the Exchange after the prescribed **haircut** is applied.
- Margin can be paid in the form of **Online Fund Transfer/Cheque**. Only shares accepted as pledges by the Exchange, based on a list subject to revision, will be considered.

**Note:** Valuation of margin pledge holding will be as per the previous day's closing price or current LTP, whichever is lower, after applying the **Absolute Broking Pvt Ltd** defined haircut.

#### **Handling of Client Securities (SEBI Circular Compliances)**

As per SEBI Circular CIR/HO/MMIRSD/DOP/CIR/P/2019175 dated June 20, 2019:

- Stocks purchased by the client for which payment has not been received will be transferred to the Client Demat account with an **Auto pledge** to the Client Unpaid Securities Pledge Account.
- This auto pledge incurs a maximum charge of **Rs. 30/- per ISIN**.
- **No exposure** will be given on the value of securities in the Client Unpaid Securities Pledge Account.
- If payment is not received, the stocks will be **liquidated on T+6 (T+1+5) OR as per regulatory (whichever is lower) without any further intimation**.

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#### **Funds: System of Pay-in and Pay-out**

**Pay-in:** Clients can transfer funds into the Trading Account only from such bank accounts that are **registered with Absolute Broking Pvt Ltd**. Any transfer from a non-registered (third-party transfer) bank account will not be considered, and the client does not get any trading limit credit for such transfers.

The client can transfer funds from the instant payment gateway facility available on the trading platform or on the back office.

Clients can transfer the amount online at any time through the fund transfer facility offered by **Absolute Broking Pvt Ltd**. The amount will be credited to the back office and trading terminal accordingly.

#### Payout:

- Payouts are allowed during and before trading hours.
- If the client places the withdrawal request on any working day **before 9.00 AM** in any segments, funds will be processed and transferred to the client's respective bank account **on the same day**.
- If the withdrawal request is placed on any working day **after 9.00 AM**, the funds will be processed and transferred to the client's respective bank account on the **next working day**.
- Payout requests made on any bank holidays/trading holidays/ Settlement holidays/ Saturdays and Sundays will be processed and credited to the client's respective bank accounts on the **next working day**.

#### RMS SQUARE OFF POLICY

##### Intraday Square off (MIS/CO/BO):

A timer-based intraday square off policy is followed, where all positions created in Intraday MIS/BO/CO will be squared off from the RMS side before the closing of the Market. All pending orders / unexecuted/partial orders will be cancelled as per the intraday product feature. At the respective segments square off times, the positions will be squared off at the best available price.

NSE/BSE Cash, Derivatives	Currency	MCX
3:15 PM	4:45 PM	11:15 PM/11:40 PM (15 minutes before market close)

##### Margin Square Off:

When the client margin shortfall exceeds **100%** (margin shortage >1%) or more of the required margins, **Absolute Broking Pvt Ltd** shall reduce or completely square off the client's open positions to reduce the margin shortfall deficit.

**Note:**

- Realized Intraday profits are **not considered** as the margin for trading on the same day.
- RMS liquidation will be done on a **T+1 basis** for the Mark to Market (MTM) debit/margin shortfall. Even if a shortfall arises during the day due to MTM loss or margin increases, RMS liquidation will be done on the same day.
- On the T+1 day, the required margin needs to be maintained **before 9.00 AM** in order to continue holding the position. Otherwise RMS team will reduce the positions.

**MTM Square Off:**

Square-off order initiated when the MTM reaches **80% of loss**. The percentage can vary depending on the matched price of the square off order. It is possible that due to extreme volatility / high leverages used by the clients/market/scrip freeze or any other conditions, the MTM loss may exceed even 100% of the capital/margin placed by the client before **Absolute Broking Pvt Ltd** can square off the positions.

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**Policy on Client Unpaid Securities Pledgee Account (CUSPA)**

In case the securities received in pay-out are **not fully paid** by the client, then **Absolute Broking Pvt Ltd** may retain those securities in "**CLIENT UNPAID SECURITIES PLEDGEE ACCOUNT (CUSPA)**". These securities will be transferred to the client's respective demat account upon the fulfilment of the fund's obligation.

If the client fails to meet the funds pay-in obligation within **five trading days (5)** from pay-out day (T+1), then **Absolute Broking Pvt Ltd** shall **liquidate the securities** in the market (Not FIFO Method) to recover the debits/dues.

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**Physical Settlement & Delivery**

**Physical settlement of the derivative contracts:**

**Absolute Broking Pvt Ltd** shall **not allow** any physical settlement of derivative contracts in the stock futures and stock option segment. All Future and Option (Both ITM & OTM) open positions will be squared off by RMS on the expiry day at **2:00 PM**. No fresh positions will be allowed to trade after 2:00 PM on the expiry day.

### **Delivery of Commodities:**

**Absolute Broking Pvt Ltd** shall not allow take/give delivery of any commodities. All the contracts shall be closed out before the commencement of the tender period. Customer's positions will be squared off **one day prior** to the start of the 'Tender Period' of the contract.

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### **Additional Surveillance Margin (ASM) & Graded Surveillance Measures (GSM)**

**Absolute Broking Pvt Ltd**, as a risk containment measure, shall allow trading in these shares only on the **Cash & Carry product (CNC)**, i.e., 100% margin on the first stage. Trading in the ASM/ GSM stages of 2 and above is **blocked**, and only square off is allowed.

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## **POLICY ON VOLUNTARY FREEZING/BLOCKING OF ONLINE TRADING ACCESS**

### **1. Introduction**

In accordance with SEBI circular SEBI/HO/MIRSD/POD-1/ P/CIR/2024/4 dated January 12, 2024, and subsequent exchange circulars, **Absolute Broking Pvt Ltd** is mandated to provide clients with the facility for **voluntary freezing/blocking** of the online access to their trading accounts to enhance investor protection.

This policy is part of **ABPL's** Risk Management Policy and is displayed on its website.

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### **2. Scope and Applicability**

- **Absolute Broking Pvt Ltd**, as a Trading Member providing Internet-Based Trading/Mobile Trading/other online access, must make available at least **two modes** for clients to request the voluntary freezing/blocking of their online trading access.
- The policy is applicable with effect from **July 01, 2024**.
- The policy shall be provided to new clients as part of the account opening kit with effect from **July 01, 2024**.
- It shall be communicated to all existing clients via email or another suitable mechanism by **July 01, 2024**.

### 3. Mode of Receipt of Request for Freezing/Blocking the Trading A/c

Absolute Broking Pvt Ltd provides the following modes for receiving a client's request to freeze/block their online trading A/c:

Mode	Instructions
E-mail	Send your request to support@absolutebroking.com from the client's registered email ID with " <b>Freeze/ Unfreeze - Trading Account</b> " in the subject line.
Customer Support	Call our customer support number (Landline provided in the RMS document) to inform us about the freezing/blocking of the trading account from the client's <b>registered phone number</b> . (This facility is <b>under process</b> .)
Online	Clients can freeze/block the trading account via the Mobile & Web application. (This facility is <b>under process</b> .)

### 4. Process for Freezing/Blocking the Trading A/c

On receipt of a valid request through any of the prescribed modes:

- **Validation and Acknowledgement:** ABPL shall validate that the request is received from a registered client (by verifying the registered email ID or mobile number/web login) and issue an acknowledgement.
- **Action:** ABPL shall immediately **freeze/block the online access** of the client's trading account and simultaneously **cancel all the pending orders** of the said client.
- **Timelines for Action:**

Scenario	Timelines for Issuing Acknowledgement and Freezing/Blocking
Request received <b>during the trading hours</b> and within <b>15 minutes</b> before the start of trading.	<b>Within 15 minutes</b>
Request received <b>after the trading hours</b> and <b>15 minutes</b> before the start of trading.	<b>Before the start of the next trading session</b>

- **Post-Freezing Communication:** Post freezing/blocking, ABPL shall send a communication on the registered mobile number and registered e-mail ID of the client, stating that:

- The online access to the trading account has been frozen/blocked.
  - All pending orders have been cancelled.
  - The process for re-enablement for getting online access to the trading account.
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- **Record Maintenance:** ABPL shall maintain appropriate records/logs, including the request received and the confirmation given for freezing/blocking.

## 5. Re-Enabling Trading Access

Clients will only be allowed to enable trading access after **24 hours** of the voluntary freezing.

Clients can request re-enablement by:

- Calling the registered number **044 – 47961590** and
- Send a request to [stoptrade@absolutebroking.com](mailto:stoptrade@absolutebroking.com) from the registered email ID with "**Unfreeze/Unblock – Trading Account**" in the subject line.

## 6. Clarification for Clients

- The freezing/blocking is only for the **online access** to the client's trading account. There shall be **no restrictions on the Risk Management activities of Absolute Broking Pvt Ltd.**
- The request for freezing/blocking **does not** constitute a request for marking the client's Unique Client Code (UCC) as inactive in the records of the respective Exchanges.

## 7. Record Management

**ABPL** shall maintain a verifiable record of all such requests received for freezing/ blocking of online access to trading accounts received from clients as per the records management guidelines prescribed by the exchanges / Regulator.

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## LIABILITY CLAUSE & PENALTIES

**Liability clause due to square off / non-square off the positions:**

**Absolute Broking Pvt Ltd** shall not be held liable for any loss that arises due to the intraday square off/close out of the positions/selling of the stocks due to Non-payment/ margin shortfall/ Mark to

Market loss, breaching the threshold limit of the risk level, etc. Further, the client agrees that **Absolute Broking Pvt Ltd** shall not be held responsible and liable for any loss/damage that arises in case where **Absolute Broking Pvt Ltd** has not squared off / not closed out the positions/ covered the positions on time, due to any reason as per the above square off policy.

#### **Upfront margin shortage penalties:**

Any penalty imposed by clearing corporations for shortfall or non-collection of upfront margins will now be **passed on to clients** in the following cases:

- Dishonoured Cheques.
- Margin Requirement Changes: An increase in margin requirements due to changes in your hedge position.

#### **Shortages in Obligation and Penalty for Defaulting Client**

- Clients are required to make Securities / Funds pay-in on or before the **T+1 day**.
- In case of default and the shortage is at the member level (i.e., **internal shortage**), a penalty will be **imposed on the defaulting client**, and the benefit will be **passed on to the respective beneficiary client**.
- In case of default where the shortage is against the Exchange (**external shortage**), the **Exchange auction value** and all levies, as applicable, shall be **recovered from the defaulting client**.

#### **Inter-Client Auction Policy**

- An Inter-Client Auction occurs when both the purchase and sale positions for a scrip in a settlement are **limited between ABPL clients only**, resulting in a “NIL” **net position** to the Exchange, and a **short delivery** occurs.
- The **auction close-out price** will be the **HIGHER** of: The **Highest purchaser price** paid by the purchaser(s) who did not receive the shares, **OR** The **Previous day's closing price** before the pay-in date **plus 5%**

#### **Delayed Payment Charges / Margin Shortage Charges**

In the event a client fails to settle their dues in time, **ABPL** reserves the right to:

- **Levy delayed payment charges, not exceeding 2% per month**, on account of delays/failures in meeting the pay-in / margin obligations / Mark-to-Market (MTM) obligation until the date of payment.
- **Levy a charge for maintaining a disproportionate cash versus collateral ratio** prescribed by the Exchanges for margins in the F&O segment.
- **Do not consider any credit balance** in other family or group accounts of the client while computing delayed payment charges.

**Note:** This levy is a penal measure for default and is **not a funding arrangement**.

#### **Penalties Levied by Exchanges**

**ABPL** shall recover such imposed penalties/levies by the Exchange/regulators from the client, which arise directly on account of the client's dealings or default. Illustrative reasons include:

- **Auction** resulting from short deliveries.
- Non-adherence to **client-wise exposure limits** in the Cash and F&O segments.
- Client-wise **shortfall in F&O margin**.

#### **Interest-Free Deposits**

**ABPL** may (on a case-by-case basis) provide exposure against an upfront margin in cash/collateral. **ABPL** shall not pay any interest or other benefit to the client for maintaining cash balances or depositing collateral margins, except for any corporate benefits (e.g., dividends) received on the collateral securities themselves.

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#### **Dormant Account**

If the client has not traded in any particular segment/exchange for a period of **730 days** (not traded for 24 months), the account will be treated as **dormant**, and the client's trading account shall be suspended from further trading. The client can activate the trading account by sending an email from the registered email ID and completing the IPV, provided there are no changes to the KYC.

## Disclaimer

**Absolute Broking Pvt Ltd** is currently not engaged in the business of customer funding. The limits of exposure to trade provided by **Absolute Broking Pvt Ltd** to the customers are as per the regulations of exchanges and SEBI, specified from time to time.

The **Absolute Broking Pvt Ltd** ‘Risk Management Policy’ seeks to make the client aware of the risk controls and measures taken by **Absolute Broking Pvt Ltd** to minimize potential losses. The Risk Policy is subject to change according to risk perceptions of the market and SEBI/Exchange regulations.

Risk policy is subject to change and modification depending on market scenarios, regulatory changes, and **Absolute Broking Pvt Ltd** discretion. The new policy would be approved and uploaded to the URL for reference whenever it changes.

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## Brokerage Policy

- **ABPL** may charge a brokerage for all trades facilitated on NSE / BSE / MCX or any other recognised exchange of which **ABPL** is a Member.
- The brokerage rate may **vary from client to client** as per the terms agreed upon, but shall **not exceed the maximum permissible brokerage** stipulated by the Exchange / SEBI.
- The rate is a function of the **quality and cost of services** and the **volume and revenue expected**. It shall be reviewed by **ABPL** from time to time, provided any change does not contradict regulatory provisions.
- The brokerage shall be **exclusive** of the following statutory levies, charges, and expenses like Goods and Services Tax (GST), STT & CTT, Education Cess, SEBI / Exchange / Clearing member charges, Stamp duty, Statutory charges, and Bank charges for returned cheques, and charges for customized services, etc..

## POLICY ON INACTIVE/DORMANT TRADING ACCOUNTS

### Definition of Inactive Trading Accounts

A Trading account in which **no transaction** has been carried out for a period of **more than 24 months** in any registered segment shall be classified as an **Inactive Account**.

**Note:** If the client has traded in any segment of equity or currency, or commodity, they will be treated as an active client and will not be deactivated.

### Consequence of becoming Dormant/Inactive

In case the client becomes inactive, the account shall be **locked**, and the client shall **not be permitted to execute a fresh transaction** in the account unless the reactivation process is completed.

### Transaction in Inactive Trading Accounts

The inactive accounts identified based on the above criteria shall be flagged as '**Inactive**' by **Absolute Broking Pvt Ltd (ABPL)** in the UCC database of all the respective Exchanges.

### Reactivation Process

To reactivate the account, the client must provide either of the following:

- **E-mail Request:** An e-mail request to reactivate the account and process the transaction. Such an email request shall be sent only from the email ID of the Client **registered with Absolute Broking Pvt Ltd**, along with a scanned copy of the self-attested PAN card of the client.
- **Written Request:** A written request to reactivate the account and process the transaction, signed by the client and submitted to **Absolute Broking Pvt Ltd**, along with a self-attested copy of the PAN card of the client.
- **Updated KYC:** Updated KYC documents (address proof, identity proof, bank proof) must be submitted.

### 'In-person' Verification (IPV) of clients at the time of Reactivation

As per Exchange guidelines, it is mandatory for every investor to go through the **in-person verification (IPV) process** while reactivating their accounts. Clients may please note that any further trading shall be allowed only after 'In-person' verification is completed.

## Procedure to Inactivate the Client Account

- A list of inactive clients (no transactions for more than 24 Months) is extracted from the Back Office software.
- The list is shared with the **DP department** to check for any existing client holdings.
- The list is then shared with the **Accounts department** to ensure there is no ledger balance.
- The list is then shared with the **KYC department** to change the status of the client from active to inactive and to upload the same to the exchange.
- The list is then shared with the **RMS department** to block the inactive clients on the trading terminals.
- In the case of clients' **credit balance**, the KYC and Accounts department jointly will try to contact the client to check the accuracy of his/her bank account details, and only after ensuring the accuracy, the payment will be released.
- In case the client is not traceable, the payment will be kept as an **unclaimed balance** after deducting the AMC for the current period, and also retaining the Advance AMC for the next period.
- The final inactive client list is submitted to the concerned department after confirmation and **management approval**.
- The concerned department shall mark the client status as "**inactive**" or "**dormant**" in various front office software (CTCL and IML) and back-office accounting and DP software.
- In case an inactive client desires to trade, the client needs to provide all relevant documents as per the above given procedure, for updation of KYC details, failing which, the account will not be activated.

## Frequency for Checking of Inactive Client's Account Status

The status of the client's accounts shall be checked every month.

## Review Policy

- This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change on account of business needs and Risk Management policy.
- The policy may be reviewed by the Compliance/Director and place the changes in policy before the Board at the meeting first held after such changes are introduced.

## OUTSOURCING POLICY - ABSOLUTE BROKING PVT LTD (ABPL)

### Introduction

**Absolute Broking Pvt Ltd (ABPL)** is a SEBI-registered Stock Broker. **Outsourcing** refers to the use of a third party – either within or outside the group – to perform the activities associated with providing services to **ABPL**.

A third party may be used to perform one or more activities, or one or more third parties may be used to perform different activities associated with the intermediation service. This includes the use of successive third parties.

Securities market intermediaries are increasingly resorting to outsourcing to reduce costs and for strategic reasons, which benefits the market. However, outsourcing raises concerns for the regulator and the outsourcing intermediaries since the third parties may not be subject to the same regulatory discipline. While a complete ban is undesirable, outsourcing must be organized in an orderly manner.

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### Risks Associated with Outsourcing

**ABPL** knows that risks attached to outsourcing are numerous and can be grouped into three broad categories:

- **Operational Risks:** Arise because **ABPL** loses direct control over the activities and the processes, procedures, systems, and people engaged. This may lead to a failure to exercise due care and diligence if the activity/service falls short of regulatory standards.
- **Reputational Risks:** Arise from the third party's failure to deliver as per regulatory standards, which may invite regulatory actions against **ABPL**.
- **Legal Risks:** Emanate from the failure to enforce contractual obligations, especially when the contractual relationship is not redefined with every change in the basket of outsourced activities.

**ABPL** ensures that it outsources activities only to a third person who has the required infrastructure and is a **fit and proper person**.

## Guidelines for Outsourcing by ABPL

Point	Guideline
I. Policy and Responsibility	<b>ABPL</b> seeking to outsource activities should have a comprehensive policy. The <b>Board of Directors</b> or equivalent body representing <b>ABPL</b> shall have the <b>responsibility</b> for the outsourcing policy.
II. Risk Management	<b>ABPL</b> should establish a comprehensive outsourcing <b>risk management programme</b> to address the outsourced activities and the relationship with the third party.
III. Regulatory Compliance	<b>ABPL</b> should ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and regulators, nor impede effective supervision by the regulators.
IV. Due Diligence	<b>ABPL</b> should conduct appropriate <b>due diligence</b> in selecting the third party and in monitoring of its performance.
V. Contracts	Outsourcing relationships should be governed by <b>written contracts/agreements</b> that clearly describe all material aspects, including rights, responsibilities, client confidentiality, and termination procedures.
VI. Contingency Planning	<b>ABPL</b> and its third parties should establish and maintain <b>contingency plans</b> , including a plan for disaster recovery and periodic testing of backup facilities.
VII. Confidentiality	<b>ABPL</b> should take appropriate steps to require that third parties protect <b>confidential information</b> of both <b>ABPL</b> and its customers from intentional or inadvertent disclosure to unauthorized persons.
VIII. Regulator's Assessment	Regulators should take into account outsourcing activities as an integral part of their ongoing assessment of <b>ABPL</b> .
IX. Concentration Risk	Regulators should be aware of the potential risks posed where the outsourced activities of multiple intermediaries are concentrated with a limited number of third parties.

### Activities That Can Be Outsourced by ABPL

- Data entry of Account Opening/Scanning and storage of account opening forms
- Printing and dispatch of Welcome kits and dispatch of quarterly transaction statements
- Customer Services

## Activities That Should Not Be Outsourced by ABPL

**ABPL** is a SEBI-registered stockbroker and follows the guidelines of SEBI. **ABPL** should not outsource the activities, which are **barred by the regulatory bodies** (i.e., Exchanges / SEBI, etc.) from time to time.

**Note:** Absolute Broking Pvt Ltd has not outsourced any activity to date.

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## PREVENTION OF MONEY LAUNDERING ACT 2002 (PMLA) POLICY

### Legal Background

Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI has issued guidelines on Anti Money Laundering Standards. The PMLA 2002 and the Rules notified thereunder impose an obligation on intermediaries (including stock brokers) to verify client identity, maintain records, and furnish information to the Financial Intelligence Unit (FIU) - INDIA.

### What is Money Laundering?

Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds, and appear to have been received through legitimate sources/origins. This is done in three phases: **Placement Phase, Layering Phase, and Integration Phase.**

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### 1. Objective & Policy

The primary objective of **Absolute Broking Pvt Ltd (ABPL)** would be '**Prevention of money laundering through designated brokers, intentionally or unintentionally by criminal elements**'. It is the policy of **ABPL** to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities.

## 2. Principal Officer & Designated Director

### Principal Officer Appointment & Duties

**ABPL** has designated Mr. KARTHIKEYAN DEVARAJ as the Principal Officer and intimated the authority

- The Principal Officer will promptly notify the Financial Intelligence Unit (FIU) of any change to the details of **ABPL**.
- The Principal Officer will also ensure maintenance of proper records and filing of records with the FIU, whenever required.

### Designated Director Appointment

The registered intermediary shall also designate a person as a “**Designated Director**”.

- **Director:** Mr. KARTHIK KS was appointed by **ABPL**.
- The Designated Director is responsible for ensuring overall compliance with the obligations imposed under Chapter IV of the PMLA Act and rules.
- In terms of Sec 13(2) of the PMLA Act, the Director, FIU-IND can take appropriate action, including levying a monetary penalty, on the Designated Director for the failure of the intermediary to comply with any of its AML/CFT obligations.

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## 3. Know Your Customer (KYC) Standards

**ABPL's** KYC policy incorporates four main elements:

- I. **Customer Acceptance Policy (CAP)**
- II. **Customer Identification Procedures (CIP)**
- III. **Client Due Diligence (CDD) and Risk Management**
- IV. **Monitoring of Transactions**

### I. Customer Acceptance Policy (CAP)

- **No account** shall be opened in an **anonymous or fictitious/benami name(s)**.
- Customers are categorized into Low, Medium, High, and Very High Risk based on parameters like the nature of business activity, location, mode of payment, and social/financial status.

Risk Category	Illustrative Examples
<b>Low Risk</b>	Salaried employees with defined structures, people from lower economic strata, Government Departments, and Government-owned companies. (Only basic verification is required.)
<b>Medium Risk</b>	Persons in business/industry or trading where the area of residence or place of business has a scope or history of unlawful trading/business activity.
<b>High Risk</b>	Companies having close family shareholding, firms with 'sleeping partners,' Politically Exposed Persons (PEPs) of foreign origin, Non-face-to-face customers, and those with dubious reputations.
<b>Clients of Special Category (CSC)</b>	Non-resident clients, High Net Worth clients, Trusts, NGOs, Companies with close family shareholdings, PEPs (foreign or domestic), clients in high-risk countries, and non-face-to-face clients.

#### Account Closure

- **ABPL** shall not open or shall close an existing account where it is unable to apply appropriate customer due diligence measures due to **non-cooperation of the customer** or non-reliability of data.
- If an account is closed on this ground, it will be done only after permission from a Senior Official is obtained, and the customer is given a **prior notice of at least 20 days** or as per regulatory guidance, with reasons for closure.

#### II. Customer Identification Procedure (CIP)

The client is identified by using reliable sources/documents. **ABPL** must obtain adequate information to satisfactorily establish the **identity** and the **purpose** of the intended relationship.

Client's Constitution	Proof of Identity	Proof of Address	Others
Individual	Pan card	Copy of Aadhar/Valid License/valid Passport/ Driving statement, etc.	N.A

Client's Constitution	Proof of Identity	Proof of Address	Others
Company	Pan card	Certificate of Incorporation, Memorandum & Articles, As Above	Proof of Identity of Directors/others authorized to trade
Partnership Firm	Pan Card	Registration certificate, partnership deed, as above	Proof of Identity of partners/others authorized to trade
Trust	Pan Card	Registration certificate, Trust deed, as above	Proof of Identity of trustees/others authorized to trade
AOP/BOI	Pan Card	Resolution of Management, Certificate of Legal Existence, as above	Proof of Identity of persons/others authorized to trade

- All PANs must be **verified from Income Tax/NSDL sites** before the account is opened.
- If a potential customer refuses to provide details or wilfully provides misleading details, **ABPL will not open the trading account.**

### III. Customer Due Diligence Process (CDD)

New customer acceptance procedures include:

- Customer identification and verification depending on the nature/status of the customer and the kind of transactions.
- Checking **original documents** before accepting a copy.
- Establishing the identity of the client, verification of addresses, phone numbers, and other details.
- Obtaining sufficient information to identify **Beneficial Owners**.
- Checking for any **criminal background** or if the client has been **banned from trading** in the stock market.

#### IV. Monitoring of Transactions

The following risk-based procedures are adopted for High and Medium Risk clients:

- Substantial increase in activity without any apparent cause.
- Transactions with no apparent economic or business rationale.
- Sudden activity in dormant accounts.
- Source of funds is doubtful or inconsistency in the payment pattern
- Unusual and large cash deposits made by an individual or business
- Transfer of investment proceeds to apparently unrelated third parties
- Clients transferring large sums of money to or from overseas locations with instructions for payment in cash
- Purchases made on own account transferred to a third party through off market transactions through DP Accounts
- Suspicious off-market transactions
- Large deals at prices away from the market.

#### 4. Beneficial Ownership

##### Policy on Mandate/POA Holders

Whenever any account is operated by a mandate holder, **ABPL** will find out the **relationship** of the mandate holder with the client and establish the **identity** of the mandate holder.

- **ABPL should not accept any payment** from the account of the mandate holder in favor of the client.
- All payments (Pay in/out) must be through the **client's registered bank account**.

##### Identification of Beneficial Owner (BO)

Where the client is a company, partnership, or unincorporated association, **ABPL** shall identify the beneficial owners and verify their identity.

Juridical Person	Controlling Ownership Interest
Company	Ownership of/entitlement to <b>more than 25%</b> of shares or capital, or profits

Juridical Person	Controlling Ownership Interest
Partnership	Ownership of/entitlement to <b>more than 15%</b> of the capital or profits
Unincorporated Association/BOI	Ownership of/entitlement to <b>more than 15%</b> of the property or capital, or profits

If no natural person is identified through ownership, the identity of the natural person exercising control through other means (e.g., voting rights, agreement) or the **Senior Managing Official** must be identified.

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## 5. Record Maintenance and Retention

**ABPL's Principal Officer** must maintain records sufficient to permit the **reconstruction of individual transactions**. Records for all customers must be retained to maintain a satisfactory audit trail, including the beneficial owner, volume of funds, and, for selected transactions, the origin, form, identity of the person, and destination of the funds.

### Records to be maintained (Rule 3 of PMLA Rules)

- All fund transactions of the value of **more than ₹10 lakh** (or equivalent in foreign currency).
- All series of fund transactions are integrally connected to each other, which exceed ₹10 lakh within a month.
- All fund transactions where **forged or counterfeit** currency/banknotes have been used.
- All **suspicious transactions**, whether or not made in funds.

### Retention Period

Record Type	Retention Period
Transaction Records (Rule 3 of PMLA Rules)	8 years from the date of <b>cessation of the transactions</b> between the client and <b>ABPL</b> .
Client Identity Records (Rule 9 of PMLA Rules)	10 years from the date of <b>cessation of the transactions</b> between the client and <b>ABPL</b> .

## 6. Monitoring & Reporting of Suspicious Transactions

### Monitoring

Ongoing monitoring of accounts is essential for an effective Anti-Money Laundering framework. ABPL will devise and generate necessary reports/alerts based on clients' profiles and trading patterns to identify and detect abnormal transactions.

### Illustrative Suspicious Transactions (STR) Indicators:

- Clients whose identity verification seems difficult or who appear not to cooperate.
- Substantial increase in activity **without any apparent cause**.
- Large number of accounts having **common parameters** (partners/directors/address/signatories).
- Transactions with **no apparent economic or business rationale**.
- Sudden activity in **dormant accounts**.
- Source of funds is doubtful or inconsistency in the payment pattern.
- Multiple transactions just below the threshold limit specified in PMLA (**structuring**).
- Purchases made on the own account are transferred to a third party through **off-market transactions** via DP Accounts.
- Accounts used as '**pass through**' where no transfer of ownership of securities or trading is occurring (used only for funds transfers/layering).

### Reporting to FIU-IND

- The **fund Transaction Report (CTR)** for each month shall be submitted to FIU-IND by the **15th of the succeeding month**.
- The **Suspicious Transaction Report (STR)** shall be submitted **within 7 days** of arriving at a conclusion that any transaction is of a suspicious nature.
- The Principal Officer will record his **reasons in writing** for treating any transaction as suspicious.
- **Confidentiality** shall be maintained in filing CTR and STR.
- ABPL and its employees are **prohibited from disclosing** ("tipping off") the fact that an STR is being reported to the FIU-IND.
- ABPL shall **not put any restrictions on operations** in accounts where an STR has been made.

## 7. Other Compliance Measures

### Surveillance Policy (Excerpt from ABPL Surveillance Policy)

Surveillance is the process of collecting and analyzing information to detect unfair transactions. **Absolute Broking Pvt Ltd** would have in place adequate surveillance policies and systems to monitor suspicious/manipulative transactions.

- The **Compliance Officer** is responsible for the implementation and supervision of the Surveillance Policy.
- The **Compliance Team** shall carry out the necessary **Due Diligence** of the client(s) whose names appear on Transaction Alerts.
- The **Risk Management Team** has to be extra cautious while dealing with securities placed under the **Graded Surveillance Measure (GSM)**.
- **Unsolicited Messages (SMS Stocks):** Clients are advised to remain cautious of unsolicited emails and SMS and trade only based on informed decisions. **ABPL** may, in exceptional circumstances, **withhold the Payout of funds/securities** and/or **suspend the accounts** of a client who has dealt in "SMS Stocks".

### Hiring of Employees

**ABPL** shall have adequate **screening procedures** in place to ensure high standards when hiring employees. Employees taking up **key positions** must be suitable and competent.

### Ongoing Training for Employees

The Principal Officer is responsible for imparting the necessary training. It will be ensured that all staff fully understand their responsibilities under PMLA for strict adherence to customer due diligence, transaction monitoring, and reporting suspicious transactions.

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## 8. Policy Review

The policy may be reviewed as and when there are new additions prescribed by the regulator/exchanges. The policy will be reviewed by the **senior management officials** on a **yearly basis**. The Compliance Officer shall be responsible to bring all the significant changes to the notice of the Designated Director / Partner / Proprietor and place the reviewed policy before the Board for its adoption.

## SURVEILLANCE POLICY - ABSOLUTE BROKING PVT LTD (ABPL)

### 1. Background

Surveillance is the process of collecting and analyzing information concerning markets to detect unfair transactions that may violate securities-related laws, rules, and regulations. To achieve this and to create safer markets, **Absolute Broking Pvt Ltd (ABPL)** would have in place adequate surveillance policies and systems to monitor suspicious/manipulative transactions and curb such activities, if any.

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### 2. Objective

This Surveillance Policy is formulated in compliance with and as mandated by the Securities and Exchange Board of India (SEBI) and the Stock Exchanges. Its objective is to facilitate an effective surveillance mechanism to monitor transactions in the Cash, Equity-Derivative, Currency Derivative, and Commodity Derivative Market Segments, where **ABPL** is registered as a Trading Member and DP operations, where ABPL is registered as DP(NSDL).

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### 3. Responsibility

Role	Responsibility
Compliance Officer	Responsible for the <b>implementation and supervision</b> of this Policy. Shall take necessary steps to analyze, monitor, document, and report findings to the relevant Stock Exchanges and/or regulatory bodies in a time-bound manner.
Compliance & Back Office Executives	Shall <b>assist and report</b> to the Compliance Officer daily in respect of the alerts generated for the surveillance mechanism.
Internal Auditor	Shall <b>review the Policy</b> , its implementation, documentation, effectiveness, and review the alerts generated during the period of the audit, recording observations in their Internal Audit Reports.
Directors/Partners/Proprietor	Shall periodically <b>peruse, review, and provide necessary guidance</b> with regard to the Policy, periodically, for strengthening the processes.

#### **4. Policy Procedures for Disposition of Alerts**

##### **4.1 Downloading of Transaction Alerts:**

The Transaction Alerts provided by the Stock Exchanges and internally generated shall be downloaded by the **Compliance Team** regularly and forwarded to the Compliance Officer.

##### **4.2 Client(s) Information:**

The **Compliance Team** shall carry out the necessary **Due Diligence** of the client(s) whose names appear on the Transaction Alerts. The team shall ensure that **KYC parameters are updated** periodically and the latest client information is updated in the **UCC database** of the respective Exchanges. Groups/associations among clients will be established to identify multiple accounts/common accounts/groups of clients.

##### **4.3 Documentation:**

The Compliance Team, to analyze the trading activity of the Client(s)/Group of Client(s) or scrips identified, shall:

- Seek **explanation** from such identified Client(s)/Group of Client(s) for entering into such transactions.
- Seek **documentary evidence** such as Bank Statement / Demat Transaction Statement / Income proof or any other necessary documents.
- For **Funds**, Bank Statements (at least **+/- one month** from the date of transactions) from which Funds pay-in have been met, will be sought.
- For **Securities**, Demat Account Statements (at least **+/- one month** from the date of transactions) from which Securities pay-in have been met, will be sought.

##### **4.4 Analysis:**

Upon receipt of the documents, the Compliance Officer shall analyze the documents, as well as the client's **KYC & KRA**, record observations, and check for frequent changes made in KYC/supporting documents.

**Steps to be taken for analysis of each alert by the Compliance Team (Examples):**

Alert Type	Examination Focus
<b>Quality of Dealing</b>	Identify scrips in BE, T, and TS having <b>50% of the Exchange volume</b> . Check the bonafide of transactions, especially for persistent high-volume contributions.
<b>High Value Deals</b>	Review deals above <b>₹25 Lacs</b> in a single scrip. Check for sufficient margin in buy deals and availability of shares in client/pool accounts for sale deals.
<b>Significant increase in client activity</b>	Examine transaction turnover <b>more than ₹10.00 Lacs</b> or Delivery Turnover more than <b>₹1.00 Lacs</b> . Verify if the volume is justified by the client's financial status and past activity, and if transactions are impacting price/concentration.
<b>Dormant Accounts</b>	Review accounts not traded in for <b>more than 6 months</b> and that suddenly resume trading. Check for a trade gap of <b>more than 180 days</b> and whether the activity is in line with the client's financial strength or constitutes a concerted attempt to impact prices.
<b>Illiquid Scrips</b>	Monitor activity concentrated in illiquid scrips. The <b>Risk Management Team</b> shall typically block trading in such scrips. Trading is allowed only upon specific request, scrutiny of beneficial ownership, pre-pay-in of funds, and execution at the last traded price.
<b>Synchronized/Wash Trades</b>	Scrutinize synchronized/cross-trade reports. Identify clients having the same Client(s)/Group of Client(s) on <b>both sides</b> of the transaction or reversal of trades at <b>significantly different prices</b> within a short period (e.g., 3-4 days).
<b>Orderbook Spoofing</b>	Placement of large orders significantly away from the market, with a low trade-to-order ratio, or canceling orders within seconds, creates a false impression of depth.
<b>GSM &amp; ASM</b>	Monitor securities placed under <b>Graded Surveillance Measures (GSM)</b> and <b>Additional Surveillance Measures (ASM)</b> frameworks (Stage I to Stage VI) and ensure application of corresponding surveillance actions (e.g., Trade for Trade, Additional Surveillance Deposit - ASD, Margin of 100%).
<b>KYC &amp; Turnover</b>	Review KYC and supporting documents, and categorize the client based on the validation done, comparing turnover against reported income/net worth.

## 5. Time Frame for Disposition & Closure of Alerts

Alert Source	Action & Timeframe
Exchange Alerts	Analyze and update status (Verified & Closed/Verified & Sent to Exchange) in the respective Exchange System <b>within 45 days</b> .
ABPL Generated Alerts	Report instances with adverse observation, along with details of action taken, to the Exchange <b>within 45 days</b> of the alert generation.

- If the matter prolongs beyond 45 days, the Compliance Officer must report the delay with reasons to the Designated Director / Partner / Proprietor.

## 6. Management Information System (MIS)

A **Quarterly MIS Report** shall be put up by the Compliance Officer to the Designated Director / Partner / Proprietor **within 30 calendar days** from the end of each quarter. The report will detail the number of alerts pending at the beginning, generated, disposed of, and pending at the end of the quarter, including reasons for pendency and an action plan.

## 7. Record Maintenance & Reporting

- The Designated Director / Partner / Proprietor shall be responsible for all surveillance activities and **record maintenance**.
- All alerts received from the exchange must be backed by necessary supporting documentary evidence.
- The records must be maintained and preserved for a period of **five years** from receiving such an alert from the exchanges.
- **Quarterly reporting** of the status of the alerts generated by the Trading Member must be provided to the Exchange **within 15 days from the end of the quarter**.

## 8. Review Procedure

The Surveillance Policy shall be **reviewed once every year** and as and when required to incorporate additions, changes, or modifications as directed by the regulator. The Compliance Officer is responsible for ensuring the reviewed policy is consistent with applicable laws and rules and is placed before the Board for its adoption.

## THIRD-PARTY FUNDS & PRE-FUNDED INSTRUMENT POLICY

### Objective

The objective of this policy is to **prevent the acceptance of third-party funds** and to prescribe the process for dealing with instruments issued by a third party when received by **Absolute Broking Pvt Ltd (ABPL)**.

### Scope of Policy

**Absolute Broking Pvt Ltd** must ensure that funds are received from its clients only and are not sourced from a third party, in accordance with SEBI circulars, including CIR/MIRSD/03/2011 dated June 9, 2011.

#### 1. Pre-Funded Instruments (DD/Pay Order/Banker's Cheque)

When receiving funds from clients through **pre-funded instruments** (such as Pay Order, Demand Draft, Banker's cheque, etc.) **issued by registered bank / a**

**Accounts**, the following rules shall be strictly followed:

- If the **aggregate value** of pre-funded instruments is **₹50,000/- or less (as per the regulatory)**, per day per client, **ABPL** may accept the instruments **only if** they are accompanied by the name of the bank account holder and the number of the bank account debited for the purpose, **duly certified by the issuing bank**.
- The acceptable modes of certification include:
  - Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
  - Certified copy of the requisition slip (the portion which is retained by the bank) to issue the instrument.
  - Certified copy of the passbook/bank statement for the account debited to issue the instrument.
  - Authentication of the bank account number debited and the name of the account holder by the issuing bank on the reverse of the instrument.

## 2. Electronic Fund Transfers (EFT)

**ABPL** must maintain an **audit trail** of all funds received through electronic fund transfers (like NEFT, RTGS, IMPS, UPI, etc.) to ensure that the funds are received **only from their clients' registered bank accounts**. This is necessary to prevent the pooling of funds by clients or acceptance of funds from non-registered/third-party bank accounts.

## POLICY ON HANDLING OF GOOD TILL CANCELLED / GOOD TILL TRIGGERED ORDERS OF CLIENT - ABSOLUTE BROKING PVT LTD (ABPL)

In compliance with Exchange circulars (e.g., NSE/INSP/62528 dated June 21, 2024, and 20240622-2 dated June 22, 2024), **Absolute Broking Pvt Ltd (ABPL)** has formulated this policy regarding the handling of long-standing orders of similar types, such as **Good Till Triggered (GTT)**.

### Details of Good Till Triggered (GTT) Orders

Feature	Description
<b>Availability</b>	<b>Absolute Broking Pvt Ltd</b> enables its clients to place Good Till Triggered (GTT) orders across all trading platforms.
<b>Mechanism</b>	GTT allows the client to set a <b>trigger price</b> . When the trigger price is hit on a future date, a <b>limit order</b> will be placed on the exchange based on the client's preset conditions and limit price.
<b>Validity Period</b>	All GTT orders are valid for <b>365 days</b> unless cancelled by the client. If the order is not triggered within this period, it will be automatically cancelled on the <b>366th day</b> .
<b>Trigger Action</b>	The trigger set on GTT is valid <b>only once</b> .
<b>Order Status after Trigger</b>	When the trigger price is hit and the GTT order is placed on the exchange, but it is <b>not executed</b> for any reason, the limit order will be <b>cancelled at the end of the market close</b> . The client will need to place the GTT order again.
<b>Price Jump Condition</b>	In a GTT order, if the Last Traded Price (LTP) jumps higher than the trigger price, the client's order will still be placed at the <b>selected limit price</b> .

## Corporate Action Responsibility

- **Communication:** All upcoming corporate actions, including dividends, bonuses, splits, etc., will be communicated to clients with unexecuted GTT orders at least **one day prior** to the ex-date of the corporate action.
- **Client's Responsibility:** Clients are advised to **proactively review** their GTT orders whenever a corporate action might impact their orders. It is the **client's sole responsibility** to take appropriate action to **modify or cancel** their GTT orders accordingly.

## Policy Review and Display

- **Incorporation:** This policy shall be made a part of the Account Opening Form/Kit under the heading "**Policy on handling of Good Till Cancelled/Good Till Triggered Orders of Client**" of the Policy and Procedures document.
- **Display:** The policy shall also be displayed on the **Absolute Broking Pvt Ltd** website.
- **Review:** The said policy shall be reviewed on an **annual basis**.

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## POLICY ON CLIENT CODE MODIFICATION

Client code modification refers to the modification of the client code after the execution of a trade. This facility, provided by the Stock Exchange, is intended to rectify a genuine error. Client Code Modification (UCC) is to be done only in **exceptional cases** and **not in a routine manner**, and must be within Stock Exchange guidelines.

### Genuine Errors Allowed for Modification

The following trades shall be allowed to be modified and treated as genuine errors, to be subsequently transferred to the **Error Account**:

- **Punching/Typing Error:** Punching error or typing error of client codes due to any genuine error or mistake in order entry by a dealer.
- **Wrong Client Trade:** Trade entered for the wrong client due to any miscommunication from the client or the client's authorized representative.
- **Similar Codes:** Client code/name and modified client code/name are similar to each other, provided such modifications are **not repetitive**.
- **Family Code:** Modification between codes belonging to the **Family Code** (spouse, dependent parents, dependent children, and HUF).

- **Institutional Trades:** Institutional trades modified to broker error or **pro account**.

### Board and Management Directives

The Board and Management of **Absolute Broking Pvt Ltd (ABPL)** have directed all office bearers to strictly follow these measures to control errors:

Directive	Action
I. Internal Controls	(a) Client code mapping will be <b>restricted</b> in trading terminals to control punching errors. (b) A separate <b>Error Account</b> will be created as per Exchange circulars. (c) A <b>Client Modification Register</b> will be maintained immediately for recording errors. (d) The list of inactive clients will be reviewed periodically for marking in the CTCL Surveillance System.
II. Dealer Vigilance	Dealers are advised to hear patiently the client code/scrip name and <b>reconfirm</b> the same to their best possible efforts before placing an order into the system.
III. Corrective Measures	Department Heads/Compliance Officers are advised to analyze the mistake and to implement corrective measures to their best possible efforts to <b>minimize errors</b> .
IV. Reporting	Department Heads/Compliance Officers are advised to update the report to the Board/Management on the implementation of the said policy periodically.

### Reporting System

- Client code modification issues must be reported to the **Key Personnel** and can be done only after getting **approval** and verifying the genuineness as per Exchange directives.
- Any client code modification shall be subject to this policy and be carried out at the **Head Office** of the company.
- The company will **review the Error Account file** sent by the Exchange every day.
- A **separate register** will be maintained by the company for this purpose, where full details of the modifications will be recorded.

## CONFLICT OF INTEREST POLICY

This policy has been prepared by **Absolute Broking Pvt Ltd (ABPL)** with reference to SEBI Circular No. CIR/MIRSD/5/2013 dated August 27, 2013, and has been approved by the Board of Directors.

All employees (including senior-level employees) of **ABPL** shall, at all times, follow these guidelines to deal with conflict of interest situations:

- To follow the internal code of conduct governing operations and formulate standards of appropriate conduct in the performance of **ABPL's** activities.
- To maintain, at all times, high standards of integrity in the code of conduct of **ABPL's** business.
- To ensure fair treatment of **ABPL's** clients and not discriminate amongst them.
- To ensure that the **personal interest of employees** of **ABPL** will not, at any time, conflict with their duty to the clients, and the **client's interest always takes primacy** with respect to advice, investment decisions, and transactions.
- To make appropriate **disclosure to the clients** of **ABPL** of possible sources or potential areas of conflict of interest that would impair **ABPL's** ability to render fair, objective, and unbiased services.
- Endeavor to reduce opportunities for conflict through prescriptive measures, such as **information barriers** (Chinese Walls) to block or hinder the flow of information from one department/unit to another, etc.
- To place appropriate **restrictions on transactions in securities** while handling a mandate of an issuer or client in respect of such security to avoid any conflict.
- **Not deal in securities** while in possession of material non-published information.
- **Not to communicate** the material non-published information while dealing in securities on behalf of others.
- **Not in any way contribute to manipulating** the demand for or supply of securities in the market or to influence prices of securities.
- **Does not have an incentive structure** that encourages the sale of products not suiting the risk profile of their clients.
- **Not share information** received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest.