

OPERATION MANUAL

DP ID: IN-IN302189

LOHIA SECURITIES LIMITED

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1. INTRODUCTION

M/s. Lohia Securities Ltd has been activated as a Depository Participant since 2000 with NSDL. Our DPM Server is located at 4 Biplabi Trailokya Maharaj Sarani (Brabourne Road), 5th floor, Kolkata – 700 001. At present we have 4 Client Machines at our premises.

We have back office software of DP - Manager of Siliconline Systems Pvt. Ltd.

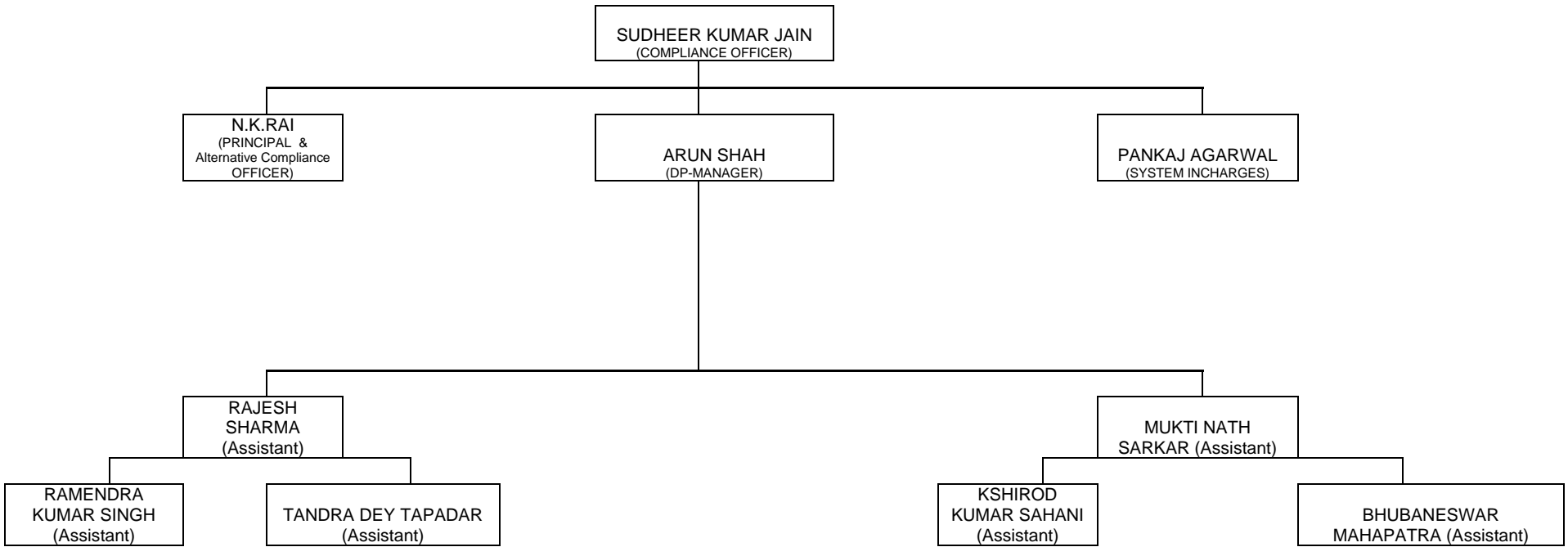
This operations Manual describes the procedures followed in our Depository environment that are offered by us as per NSDL Guidelines

Demat Services at Lohia Securities Ltd come with Safety, Trust and Experience.

Guaranteed and timely execution of your transactions.

Personalized and serial numbered instruction booklet (like a cheque book), which ensures safety and security of your transactions

Unique Transaction cum Holding cum Billing Statement to enable you keep track of transactions on your depository account and charges levied in a transparent and convenient manner. (Free Yearly statement. Free monthly statement in case of any transaction during the month)



DP OPERATIONS

DPM SERVER AND SYSTEM CONFIGURATION: Our DPM Server is located at 4, Biplabi Trailokya Maharaj Sarani (Brabourne Road), 5th Floor, Kolkata – 700001 with 4 client machines. We have MPLS connectivity and windows 2003 server operating system. Our System In charge, Mr. Pankaj Agarwal and Mr. Rajesh Kumar Sharma is taking back up on a daily basis as per the procedure prescribed by NSDL in the evening. The second copy of back up is stored at the remote site away from the operational site . The Back up Register is maintained regularly by Mr. Rajesh Kumar Sharma.

As per NSDL Cir NSDL/POLICY/2008/0069 we take the **Automatic System Recovery (ASR) back up** on hard disk once in two months.

Alternative method of communication with NSDL i.e. Dial Up is tested every fortnightly by our System In charge.

We follow the Reorganization schedule once in months.

Our DPM system is only accessible to the person with confidential password.

We have a Quick Heal Anti Virus Software version 12.00 loaded and is always upgraded on all our machines.

Staff and Service Centers :

A) Our DP is operating through our Main Office at Kolkata we have three staff with **NCDO certification** one staff with CPE certification and six staff with NISM series VI certification.

b) Account Opening: We are currently opening the accounts of only with the references. Since we also have a broking firm we have started with opening of our in-house accounts and outside accounts.

We accept the Right and Obligation signed by the person seeking to open the demat account with us with valid proof of identity, valid proof of Address, photograph, and the copy of Pan Card and verify the same with the original documents.

We also verify the PAN no. of the clients with income tax database before registration. Our Compliance officer or our any DP Staff carry-out the “in – person verification” of the account holder at the time of opening of Demat account.

After the account is opened we hand-over the client master and the copy of the right and obligation to the client. We refer to the Master Circular on Account Opening given by NSDL while opening new Demat accounts.

Copies of all the documents executed by client are given to the respective clients along with the client master copy.

c) Account Modification :

Change in address, bank account or demat account is carried out on receipt of written request (Account modification Form) along with documentary proof. We maintain the Account modification register in hard copy and after we modification we dispatch the client master copy to all the clients .

d) Account closure : We accept the account closure request from the clients with the account closure form and verify the signature of the beneficial owner with our records. The securities are transferred as per client instructions to his other client ID and all the blank instruction slips are collected from the respective clients. After clearing the outstanding amount the account is closed and at the end of the month we send the confirmation letter to the client through courier.

e) Issuance of DIS : After opening the account with us we issue the DIS Booklet to all our clients. All the DIS numbers have pre-printed serial numbers and pre-stamped client ID and we take acknowledgement from the clients for the DIS book issued to them on DIS register and the DIS which we have sent by courier we keep the proof of dispatch. All the DIS books contains a Requisition form that bear pre-stamped Client ID and there is a provision to attest the signature of the person to whom the account holder wishes to authorize to collect the booklet on his/her behalf.

We re-issue DIS book strictly on receipt of Requisition form signed by all the holders. We follow the guidelines mentioned in Master Circular on Delivery Instruction Slips.

We are Maintaining **DIS Issuance register** which have the details such as Clients Name, Client ID , serial numbers of DIS (start and end) , date of issue and mode of issue. In case the DIS booklet is delivered by hand name of the person to whom it is handed over, address as well as phone no. along with his/her signature is obtained on the DIS Issuance Register.

We have a separate storage for keeping the blank stationery of DIS as well as account opening forms and DRF.

f) **Checks and Controls on DIS** : We have a back office system through which we route the instructions received by us from our clients. We have recorded the serial numbers and we run an automatic check while executing transactions based on DIS. We have a system of in-built controls for matching of serial numbers with the respective client Ids and that the system blocks the DIS permanently that have been used.

Our DP Officers who process the DIS put their signatures after verifying the signatures of the account holders. In case the value of securities on the DIS amounts to Rs. Five Lakh or more (High Value) we do the two step verification especially for off market transactions. For Any Failure in delivery instruction of transaction leading to auction to clients then we instantaneously informs the client through telephone.

We answer the telephonic enquiries only after proper identification of clients.

Control over blank instruction slip booklets.: The booklets are stored under lock and key. Every morning, one officer hands over the blank booklets to the concerned officer. The officer who hands over the booklets writes the no. of booklets with serial nos. and initials in the register. At the end of the day, the officers who issues the booklets hands over the remaining booklets to the first officer and puts his initials and first officer physically checks whether the no. of booklets are same as written by the officer.

g) **Dematerialization:** Definition: Dematerialization is the process by which an Investor can get physical certificate converted into electronic balances maintained in its account with the participant in the NSDL system.

We have printed the DRF as per the NSDL format.

We are maintaining the DRF Register in hard copy and soft copy where we keep the records of the beneficial owner of the securities, the number of securities surrendered for dematerialization and other details of certificate of security received. We forward the DRF received by us along with security certificates to the Issuer or its Registrar and Transfer Agents after registering such request with the NSDL within seven days of accepting the same from the clients.

We have proper internal controls for dispatch of the dematerialization request forms and the physical certificates to the correct addresses. In case of rejection we inform the client immediately and also maintain the register for the same in hard and soft copy.

Pledge and Hypothecation:

We create the pledge instruction on receipt of the pledge creation form as per annexure W from the pledger. After pledge creation and pledge closure we send the copy of pledge master report to client through email and courier (branch) and keep the record with us.

We maintain the pledge creation and closure register in hard copy form .

h) Back Office Software :

We are using Back office software DP-Manager developed by Silcon Line Systems for the purpose of Depository related activities. Instructions submitted by our clients are entered in the back office verified by the checker and then processed the DPM System . Our back office has a system of control on issue of stationary as Issuance of delivery instruction slips, Receipts and processing of instruction received from clients and there is also provision for blocking of instruction slip numbers which are already used or reported lost/misplaced/stolen etc.

We reconcile the balances as per back office system on daily basis.
The back office is updated regularly for the transactions done on the DPM system .

Nominee Register : The Nominee Register is maintained manually.

The back up of our back office data is also taken on regular basis.

i) Issue of Transaction Statements :

We issue the transaction statements to all our clients on monthly and Quarterly basis. The transaction statements are printed from our back office software and dispatched to the respective clients through courier and in hand delivery when certain clients visits personally to DP. The Holding statements are also issued to the clients.

j) Client Billing :

The Billing of the clients is done in our back office software. We have created schemes wherein the bills are generated monthly and issued to the clients. The charge structure is informed to the NSDL on 30TH April every year and also as and when there is any modification is done in the charges. In cases where NSDL reduces any charges we pass on the benefits to all our clients.

k) Transmission of Securities

Transmission of securities can be categorized into two parts :

Transmission of securities - in the event of death of any of the joint holders, in which case, the other existing joint holders can get the securities transmitted in their favour by producing the death certificate. The existing joint holders have to open a new account with a Participant.

Transmission of securities - in the event of death of the sole holder, in which case, the claimants/successors/legal heirs can get the securities transmitted in their favour by submitting the relevant legal documents to the Participant. The claimants/legal heirs/successors should open an account with a Participant to get the securities transmitted in their favour.

l) Client Master Maintenance

We store all details furnished by clients at the time of account opening in the client master database in the DPM. These details are updated when the client requests any changes therein. We ensure that such changes are done only by a person at a higher level in our organization.

Procedure

The client has to inform the DP of any change in the personal details provided at the time of opening of the account, through a letter. If the DP so requires, the client should supplement the letter with necessary documents. We will verify the client's signature in the letter intimating the change with the Specimen available in its records.

If the signatures are different we will ensure the identity of the client. We will then update such client details in the DPM on the day it receives the intimation from the client or on the following day. We also provide a statement of the revised details to the client

Grievance Redressal

We have generated an email ID for the Investor Grievances which has been communicated to our clients through transaction Statement.

IG Email ID: lohiadp@hotmail.com

We also send the IG Report to NSDL by email on monthly basis by the 10th of each month as per NSDL Circular.

REMATERIALISATION :

Rematerialisation is the process by which a client can get its electronic holdings converted into physical certificates. The client has to submit the dematerialization request to us . The DP enters the request in its system which debits the client's holdings to that extent automatically. The DP releases the request to NSDL and sends the request form to the Issuer/R&T agent. The Issuer/R&T agent then prints the certificates, dispatches the same to the client and simultaneously electronically confirms the acceptance of the request to NSDL

Internal Audit and Concurrent Audit

We have appointed VKR Associates Chartered Accountants as our Concurrent Audit and Internal Auditor for the audit of our DP operations.

The concurrent Audit is done regularly.

Audit Period Due date for submission of report to NSDL

**April 1 to September 30 -
October 1 to March 31-**

**November 15
May 15**

ANTI MONEY LAUNDERING POLICY

As per the NSDL Circular no. NSDL/POLICY/2006/0025 dated July 17, 2006 regarding submission of information to Financial Intelligence Unit-India under Prevention of Money Laundering Act 2002 (PMLA) we have appointed **Mr. Narendra Kumar Rai as Principal Officer** who keep check on the suspicious transactions if any during DP Operations.

All the transactions / alerts intimated by NSDL as suspicious nature are checked by our principal officer and he is aware that if he found so in any case he needs to report the same directly to the Director, FIU-IND, in the prescribed format within seven working days of establishment of suspicion.

Compliance Submissions :

Investor Grievance Report – We submit the Investor Grievance Report on monthly basis before the 10th of every month.

Compliance Certificate - We submit the compliance CERTIFICATE EVERY SIX MONTH IN CALENDAR YEAR

Net worth Certificate: We submit Net worth certificate along with the audited financial statement every year on or before 30th September.

POWER OF ATTORNEY

As we are also a stock broking entity A Power of Attorney is executed by the client in favour of the stock broking firm and depository participant to operate the clients demat account to facilitate the delivery of shares for pay in purposes.

After execution of the POA we provide the duplicate copy of the POA form to the clients.

Know Your Customer (KYC) Policy as per KRA Regulations

We are registered with NDML for updating KRA of new as well as existing clients. Those clients who are registered with other KRA we fetch their KYC data and if required modified as per our database.

Uniform Know Your Client (KYC) Requirements for the Securities Markets w.e.f 1 January 2012

SEBI has vide its various circulars viz. MIRSD/SE/Cir-21/2011 dated October 5, 2011, MIRSD/Cir-23/2011 dated December 2, 2011 and the SEBI (KYC Registration Agency) Regulations, 2011 mandated KYC registration of clients/investors with KRA (KYC Registration Agency).

The new forms will be applicable from January 01, 2012. Old KYC forms will not be accepted on and after January 01, 2012.

There are some salient changes in the KYC process, applicable forms and supporting documents requirements, as listed below.

1. For Individuals:

- a. Marital Status (mandatory)
- b. Unique Identification Number (UID)/Aadhaar (Non Mandatory)
- c. Modification in slabs for Gross Annual Income Details, or
- d. Individuals have the choice to mention their Net Worth as on a recent date in lieu of Gross Annual Income Details

2. For Non - Individuals:

- a. Photograph of any one of the authorized signatories required on the form with signature across it
- b. Additional details like 'Place of Incorporation', 'Date of commencement of Business', 'Net Worth as on a recent date'
- c. Name, Photograph, PAN, Proof of Identity, Proof of Address of Karta/Partners/Trustees/Promoters (holding direct or indirect control)
- d. DIN/UID of Promoters/Partners/Karta/Whole Time Directors
- e. Copy of balance sheets for last two years; latest share holding pattern etc.

3. In-Person Verification (IPV) - Mandatory: SEBI vide circular number MIRSD/Cir-26/2011 dated December 23, 2011 has mandated IPV for all new clients

- a. IPV can be performed by our own Employee.
- b. Further, details like name of the person doing IPV, designation, organization name, signatures and date of IPV should be recorded on the KYC form at the time of IPV

All new clients who are not KYC compliant as on January 01, 2012 are required to be KYC compliant as per the Uniform KYC process.

Revised KYC norms are applicable to existing clients also.

However, if a client has completed his/her KYC requirements through any SEBI registered intermediary, the KYC carried out through such intermediary can be relied upon and no fresh KYC will be required, provided the KYC details are in conformity with the details sought in the new Uniform KYC form prescribed by SEBI.

For existing clients, who are as on date not KYC compliant, KYC form along with supporting documents as per KRA Regulations will be obtained.

The KYC requirements be completed by filling up the prescribed KYC form and submitting the same along with the other requisite details/proof (self certified photo copies of supporting documents relating to proof of identity and address or verification with the original).

Steps to be followed:

- Uniform KYC application form submitted by client along with self certified photo copies of the supporting documents relating to proof of identity and proof of address along with the originals to be verified.
- If KYC application form is complete with all supporting, IPV will be done. If KYC is incomplete/documents are not proper, client will be asked to complete form and provide correct documents.
- After doing IPV, KYC details will be entered in KRA (KYC Registration Agency) system and KYC form along with self certified self certified photo copies of the supporting documents will be sent to KRA within 10 working days through Courier authorized by KRA. Proof of dispatch will be maintained.
- KYC status will be verified in KRA system at the end of each day.
- Necessary follow up will be done with KRA for any discrepancies observed.
- Rejected KYC will be rectified and sent to KRA within 10 working days.
- Any subsequent change to Address, Pin Code, Country, Nationality, Occupation, Income details, Date of birth, Proof of identity, will be modified in KRA system.

Exception to PAN based Common Standard KYC

The below type of investors will be exempt from PAN based KYC, however, such investors will be subject to the uniform KYC process w.e.f 1 January 2012.

- In case of transactions undertaken on behalf of Central Government and/or State Government and by officials appointed by Courts e.g. Official liquidator, Court receiver etc.
- Investors residing in the state of Sikkim
- UN entities/multilateral agencies exempt from paying taxes/filing tax returns in India
- In case of institutional clients Custodians shall verify the PAN card details with the original PAN card and provide duly certified copies of such verified PAN details to the intermediaries

Other important points:

The above KYC norms may undergo changes from time-to-time. Hence, concerned officials will be apprised of about KYC applicability before submitting their applications/transactions to avoid rejections.

Facility for a Basic Services Demat Account (BSDA)

1. SEBI has received several suggestions and representations with respect to cost of demat accounts especially from small individual investors. Since holding of demat account is beneficial to individual investors, SEBI initiated extensive consultations with all the stakeholders to address the concerns and suggestions.

The salient features of the BSDA are as follows:

a. Eligibility Criteria:

All the individuals who have or propose to have only one demat account where they are the sole or first holder shall be eligible to have a BSDA provided that the value of securities held in the demat account does not exceed Rupees Two Lakhs at any point of time. An individual can have only one BSDA in his/her name across all depositories.

b. Charges: The Annual Maintenance Charges (AMC) structure for BSDA shall be on a slab basis; if the value of holding is

- (i) upto Rs. 50,000 ther will be NIL AMC and
(ii) for value of holding from Rs 50,001 to Rs 200,000 AMC will be upto Rs. 100

The value of holding shall be determined by the DPs on the basis of the daily closing price or NAV of the securities or units of mutual funds. If the value of holding in such BSDA exceeds the prescribed criteria at any date, the DPs may levy charges as applicable to regular accounts (non-BSDA) from that date onwards

c. Transaction Statements: Transaction statements shall be sent to the BO at the end of each month. If there are no transactions in any quarter, no transaction statement may be sent for that quarter.

d. Holding Statement: One annual physical statement of holding shall be sent to the stated address of the BO in respect of accounts with no transaction and nil balance and for remaining accounts one annual statement of holding shall be sent in electronic or physical form as opted for by the BO.

e. Charges for statements: Electronic statements shall be provided free of cost. In case of physical statements, the DP shall provide at least two statements free of cost during the billing cycle.

4. **Rationalisation of services with respect to regular accounts:** In order to reduce the cost of compliance of DPs, following rationalisation measures were decided for regular accounts:

a. Accounts with zero balance and nil transactions during the year: The DPs shall send one physical statement of holding annually to such BOs and shall resume sending the transaction statement as and when there is a transaction in the account.

b. Accounts which become zero balance during the year: For such accounts, no transaction statement may be sent for the duration when the balance remains nil. However, an annual statement of holding shall be sent to the BO.

c. Accounts with credit balance: For accounts with credit balance but no transactions during the year, one statement of holding for the year shall be sent to the BO.

Rajiv Gandhi Equity Savings Scheme (RGESS)

Rajiv Gandhi Equity Savings Scheme or RGESS is a new equity tax advantage savings scheme for equity investors in India, with the stated objective of "encouraging the savings of the small investors in the domestic capital markets." It was approved by The

Union Finance Minister, Shri. P. Chidambaram on September 21, 2012.

It is exclusively for the first time retail investors in securities market. This Scheme would give tax benefits to new investors who invest up to Rs. 50,000 and whose annual income is below Rs. 10 lakh.

The Scheme not only encourages the flow of savings and improves the depth of domestic capital markets, but also aims to promote an 'equity culture' in India. This is also expected to widen the retail investor base in the Indian securities markets.

With an objective to encourage flow of savings of the small investors in domestic capital market, the Government of India (GOI) announced a scheme named Rajiv Gandhi Equity Savings Scheme, 2012 (RGESS) to offer tax benefits to 'New Retail Investors'.

You can invest in eligible securities. Eligible securities considered for RGESS investment are:

- **Equity shares of selected companies which include:**
 - Companies falling in the list of 'CNX-100' of NSE or 'BSE-100'.
 - Public sector enterprises categorized as Maharatna, Navratna or Miniratna by the Central Government.
- Units of Mutual Fund (MF) schemes which are RGESS compliant.
- Units of Exchange Traded Funds (ETFs) which are RGESS compliant.

- IPOs /NFOs of above mentioned companies/funds.
 - Lock-in period under RGESS is of three years which includes 'Fixed Lock-in' period of one year and 'Flexible lock-in' period of two years.
 - During 'Fixed Lock-in' period, eligible securities cannot be sold / pledged. During 'Flexible lock-in' period, eligible securities can be sold / pledged subject to certain conditions.

 - The designated RGESS demat account will be converted into a regular or ordinary demat account at the end of the flexible lock-in period.
 - Open a new demat account with any **DP of NSDL**.
 - If you already have a demat account and you are eligible, designate your demat account under RGESS.
 - To designate your demat account under RGESS, submit a declaration in **Form A** to your DP.

 - Start investing.