



POLICY ON PRE-FUNDED INSTRUMENTS

Objective

The objective of the policy is to prevent acceptance of third-party funds, to prescribe process to deal with instruments issued by third party when received and to maintain an audit trail of the funds so received.

Background

SEBI vide circular no. SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003 has specified that the stock brokers can accept demand drafts from their clients. However, SEBI vide circular no. CIR/MIRSD/03/2011 dated June 9, 2011 has advised stock brokers to maintain an audit trail while receiving funds from the clients through Demand Draft (DD)/Pay Order (PO)/Bankers cheque (BC) since such third party pre-paid instruments do not contain the details like name of the client, bank account number are not mentioned on such instruments. Non-maintenance of audit trail may result in flow of third-party funds or unidentified money which may result into breach of regulations issued under PMLA and SEBI circulars. Kalpalabdhi Financials Private Limited has formulated this policy and has laid down procedures to be adopted for implementing the same.

Policy

As a Policy, Kalpalabdhi Financials Private Limited **Does not accept** receipt of funds from the Clients through Pre-funded Instrument means i.e., Demand Draft, Pay Orders, Banker' Cheque. This is to discourage the flow of third-party funds or unidentified money into the System to avoid future litigations and comply with the Regulations of the regulatory bodies.

In case of any receipt of funds by way of Electronic fund transfer, Kalpalabdhi Financials Private Limited can seek from clients an acknowledged RTGS transfer receipt or UTR accompanied by the bank statement or any such document provided by the bank to confirm the name and bank account number of the client. An audit trail to ensure that funds are received from respective client only has to be maintained. Necessary details may be collected from banker at which the amount is received.

Kalpalabdhi Financials Private Limited does not accept cash deposits as well. The banks of KLFS are hereby informed that in case of any cash deposit requests, the bank shall reject the same and inform KLFS.

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 the policy due to business needs. The policy may be reviewed by the Directors and place the changes in policy before the Board at the meeting first held after such changes are introduced.

Policy communication

A copy of this policy shall be made available to all the relevant staff who are responsible for receipt of funds from clients and customer service executives.