



SMIFS LIMITED

CIN: U51109WB1993PLC060987

Vaibhav (5F), 4, Lee Road, Kolkata – 700 020 Tel: (91 33) 4011 5401 / 6634 5401

Email ID: rms@smifs.com Website: www.smifs.com

PRE-FUNDED INSTRUMENT & ELECTRONIC FUND TRANSFER POLICY

Policy Jointly Authored By:

**Ms. Debjani Sen
Compliance & Ethics Officer**

**CS Ms. Kathakali De
Associate Company Secretary**

Policy Approved By:

**Shri Ashiwini Tripathi
Managing Director**

**Shri Rahul Kayan
Chief Executive Officer**

**Shri Sudipto Datta
Designated Director & Compliance Officer**

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1. Introduction

1.1 **SMIFS Limited** (in short “the Company/ SMIFS/ Trading Member”) is a Company registered under the provisions of the Companies Act, 1956 with limited liabilities, having its registered office at 4, Stayajit Ray Dharani (formerly Lee Road/ O C Ganguly Sarani) and registered with Securities and Exchange Board of India (in short “SEBI”) as a Stock Broker and Depository Participant, thus a Securities Market Intermediary as per the various provisions enshrined in the relevant Acts of SEBI.

1.2 SMIFS is a Trading Member of National Stock Exchange of India Limited (NSE); BSE Limited (BSE); Multi Commodity of Exchange of India Limited (MCX) and Indian Commodity Exchange Limited (ICEX) with SEBI Registration Number: INZ000220635. SMIFS is a Depository Participant of National Securities Depository Limited (NSDL) bearing DP ID – IN301629 and Central Depository Services (India) Limited (CDSL) bearing DP ID – 12016000 with SEBI Registration Number IN-DP-414-2019. SMIFS is also registered as a Portfolio Manager with SEBI Registration Number INP000004623 and Research Analyst with SEBI Registration Number INH300001474. For the sake of brevity NSE, BSE, MCX & ICEX shall be collectively referred to as Stock Exchange(s).

1.3 SMIFS is also registered with Association of Mutual Funds of India (AMFI) with ARN Code 3080 for the distribution of Mutual Fund Units of various reputed Asset Management Companies.

1.4 Stewart & Mackertich Commodities Limited is a subsidiary of SMIFS Limited and a Trading Member of National Commodity and Derivatives Exchange Limited (NCDEX) with SEBI Registration Number INZ000064332.

1.5 Investment in Securities Market, viz. Equity Shares, Derivative Instruments and/or any other instruments traded on the Stock Exchange(s), have varying element of risks involved and is generally not an appropriate avenue for someone of limited resources/limited investment and/or trading experience and low risk tolerance to undertake transactions directly over Stock Exchanges. In considering whether to trade or authorize someone to trade for and on behalf as an authorized representative, a Client should be aware of or must get acquainted with the guidelines and provisions laid in the Risk Disclosure Document for Capital Market Segment, Derivative Market Segments and Commodity Market Segments. Thus, SMIFS strongly advises its clients to consult a Certified Financial Advisor before investing in the Securities Market, especially in Derivative Products.

1.6 In order to minimize the frequency of acceptance of Pre-Funded Instrument viz. Demand Drafts, Pay-Order, Banker's Cheque and/or any other Instruments which exist and is acceptable by Banks, to discharge of Pay-In and/or Margin Liabilities of the Clients and to monitor this Pay-In mechanism this “**Pre-Funded Instrument & Electronic Fund Transfer Policy**” is being formulated under the instructions of the Board Members of SMIFS Limited (in short “**SMIFS / the Company**”), in compliance and/or as mandated by Securities and Exchange Board of India (in short “**SEBI**”) by its **Circular No. CIR/MIRSD/03/2011 dated 09-June-2011 & Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2018/113 dated 12-July-2018** and the Stock Exchanges, where the Company is a Trading Member. The objective of the policy is to prevent acceptance of third party funds and to prescribe process to deal with instruments issued by any third party as and when received by the Company towards Client dues.

1.7 The Clients have to be aware of the Pre funded instrument & Electronic Fund Transfer Policy of SMIFS Limited and how the Policy of SMIFS shall operate to regulate and monitor their transactions of its Clients to



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mitigate Risks and their responsibilities thereof. SMIFS shall intimate its Clients vide Circulars and updation on the official website of SMIFS Limited (www.smifs.com) regarding any changes/ updation/ modification in the **Pre Funded Instrument & Electronic Fund Transfer Policy** of SMIFS Limited. Clients are advised to follow the Circulars and the official Website of SMIFS Limited (i.e. www.smifs.com) and those of Securities & Exchange Board of India (i.e. www.sebi.gov.in), National Stock Exchange of India Limited (i.e. www.nseindia.co.in), BSE Limited (www.bseindia.com), Multi commodity Exchange of India Limited (www.mcxindia.com), National Securities Depository of India Limited (i.e. www.nsdl.co.in), Central Depository Services (India) Limited (i.e. www.cdslindia.com) and any other websites which has relevance and supervisory control over the Securities Market Transactions for the current updates.

1.8 The Client agrees and voluntarily accepts the **Pre Funded Instrument and Electronic Fund Transfer Policy** of SMIFS Limited and undertakes the responsibility to avail the Securities Trading Facility through SMIFS Limited adhering to the Policies of SMIFS Limited and the Rules, Bye-Lays, Circulars of the Stock Exchanges where SMIFS Limited is a Trading Member, Securities and Exchange Board of India and any other Extant Regulators and that it shall not hold SMIFS, its Directors, Key Managerial Persons, Officers or employees liable for any losses which it may sustain and incur as a consequence for non-adherence in any manner whatsoever.

2. Responsibility of the Compliance Team:

2.1 The Compliance Officer shall be responsible for the implementation and supervision of this Policy.

2.2 For proper implementation of the said policy The Chief Financial Officer/ Accounts Officer shall intimate the Compliance Officer in advance if any such circumstances arise where acceptance of such instruments are unavoidable and would subject SMIFS to Un-Covered Financial Risks. The Compliance Officer shall take all necessary steps for analysis before giving approval for such acceptance.

2.3 The Compliance Officer shall take all necessary steps to monitor, document, analyze and report the findings to the Board Members as well as the relevant Stock Exchanges and/or regulatory bodies, in a time bound manner, as detailed hereunder and/or as mandated by the Stock Exchanges and/or regulatory bodies.

2.4 The Compliance Officer shall exercise his/her independent judgment and take adequate precautions to ensure implementation of an effective monitoring mechanism, based on the day-to-day activities of the clients, general market information and the facts and circumstances.

2.5 The Internal Auditor of the Company, shall review the implementation, documentation, effectiveness and review the actions taken during the period of audit and shall record the observations with respect to the same in their Internal Audit Reports.

2.6 The Board of Directors shall peruse, review and provide necessary guidance with regard to the **“Pre-Funded Instrument & Electronic Fund Transfer Policy”**, periodically, for strengthening the processes.

3. Definition of Special Circumstances:

The Prefunded Instruments may be accepted only in following special circumstances;

- a) If there are Bank Holiday on the following day.
- b) If the client does not have an account in the bank in which the company has accounts.

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- c) If the client wants to create a position immediately and has no other way of transferring funds.
- d) If the Bank account of the client is in a cooperative bank, which may take some time for the cheque to be cleared.
- e) If the company Bank accounts clearing branch is not available in the city/village where the client has his bank account.

4. Process for acceptance of Pre-Funded Instrument:

4.1 Pre-Funded Instruments, include Demand Drafts, Pay-Order, Banker's Cheque and/or any other Instruments which exist and is acceptable by Banks.

4.2 As a matter of policy, Pre-Funded Instruments shall not be accepted for the discharge of Pay-In and/or Margin Liabilities of the Clients.

4.3 However, in the circumstances as mentioned in Point No. 3 herein above, where acceptance of such instruments are unavoidable and would subject SMIFS to Financial Un-Covered Risks, the following procedures shall be followed/adhered with regard to pre-funded instruments from Clients with the prior approval of The Chief Financial Officer/ Accounts Officer and Compliance Officer:

4.3.1 If the aggregate value of pre-funded instruments is Rs. 50,000/- or more, per day per client, the Dealing Officer may accept the instruments only if the same are accompanied by the name of the Bank Account Holder, i.e. the registered Client who is furnishing the Pre-Funded Instruments, such as Pay Order, Demand Draft, Banker's Cheque, etc. and number of the Bank Account Debited for the purpose, duly certified by the issuing Bank. The mode of certification should include the following:

- a) Certificate from the issuing bank on its letterhead or on plain paper with the seal of the issuing bank
- b) Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument
- c) Certified copy of the passbook/bank statement for the account debited to issue the instrument
- d) Authentication of the bank account – number debited and name of the account holder by the issuing bank on the reverse of the instrument.

4.3.2 If the aggregate value of pre-funded instruments i.e. Demand Draft/Pay Order/banker cheque is less than Rs. 50,000/- per day per client then apart from the bank certificate from the issuing bank, fund will be accepted if client provide the undertaking in the prescribed format.

4.4 All above procedures of acceptance of Pre-Funded Instruments shall be checked and verified by The Chief Financial Officer/ Accounts Officer and Compliance Officer, independently.

5. Process for acceptance of Electronic Fund Transfer

5.1 Electronic Fund Transfers, viz. NEFT, RTGS and Transfers can be accepted from Clients in case they are sourced from the pre-notified declared accounts of the clients. If payment is not received from the said declared bank account than such fund will be marked and transferred as suspense and after receiving confirmation and necessary documents from client it will be credited to his/her account.

5.2 An audit Trail of the funds received through Electronic Fund Transfer is to be maintained to ensure that the funds are received from the declared accounts of the clients only.



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5.3 All above procedures of acceptance of Electronic Fund Transfers shall be checked and verified by The Chief Financial Officer/ Accounts Officer and Compliance Officer, independently.

6. Discontinuation of Acceptance of Cash

Pursuant to the Circular No. SEBI/HO/MIRSD/DOP/CIR/P/2018/113 published by SEBI on 12-July-2018, the Company has decided that all payments shall be received/ made from/ to the clients strictly by account payee crossed cheques or by way of direct credit into the bank account through electronic fund transfer, or any other mode permitted by the Reserve Bank of India. The Company shall accept cheques drawn only by clients and also issue cheques in favour of the clients only, for their transactions. The Company shall not accept cash from their clients either directly or by way of cash deposit to the Bank Account of SMIFS.

7. Management Information System (MIS):

7.1 A daily MIS Report shall be generated by The Chief Financial Officer/ Accounts Officer with regard to "Acceptance of Pre-Funded Instrument & Electronic Fund Transfer" and the "Action Taken Report", to the Compliance Officer.

7.2 A Monthly MIS report shall be submitted by the Compliance Officer to the Board of Directors. The Compliance Officer shall apprise the Board of Directors of the exception(s) noticed, if any as also the Actions taken by him/her.

7.3 Internal Auditor shall verify and submit separate report on a monthly basis (by 15 Calendar Days from the end of each month) in respect of Pre-Funded Instruments and Electronic Fund Transfers and the actions taken in respect of the Compliances made and pending actions, if any.

8. Record Maintenance:

The Accounts Officer shall be responsible for the record maintenance of such activities. The Chief Financial Officer/ the Accounts Officer shall have the discretion to take assistance/help from any professionals and/or software for the better Monitoring of "**Pre-Funded Instrument & Electronic Fund Transfer Policy**", with prior approval of the Board of Directors, without diluting the accountability and responsibility of the Compliance Officer.
