

Internal Control

VSE Stock Services Ltd. (VSSL), is a wholly owned subsidiary of Vadodara Stock Exchange Ltd.,(VSEL) one of the recognized Stock Exchanges of India. The Company was incorporated on 16th January, 2000. The Company does not deal on its own account, as a regulatory and business policy it only provides a trading platform to SEBI registered sub-brokers, who are also members of VSEL.

Registration Of Clients:

As aforesaid, The Company cannot trade on its behalf and the clients are introduced and registered by its Sub brokers.

Board of Directors of the Company has set the policies of due diligence/ acceptance of clients, Redressal of Investor Grievance Policy and Anti Money Laundering Measures.

The Company has implemented new KYC form w.e.f. 7th September, 2011 in compliance with the SEBI circular CIR/MIRSD/16/2011, dated 22nd August, 2011. The Company has deputed employees / authorized person for in person verification of duly signed forms submitted by sub-brokers. After proper checking of all the papers, the same are signed by the officials authorized by the company.

After verification a unique client code is assigned to each client and he/she will be authorized to do trading.

However, at subsequent stages sub-broker deals with the client due to afore mentioned special pattern of the company.

Orders :

The Company has set procedure for allotment of terminal based on the relevant SEBI Guidelines/Circulars at places to suit specific requirements of the Company.

Collection and Release of the Payments of Clients:

a) Funds:

For pay in client has to give the cheque in the name of designated account of the company. Company has opened a designated account with Axis Bank for each sub-broker. The account is operated by the company only.

For payout of client sub-broker has to give request through the back end software. The Company after verifying each request authorises the request submitted by sub broker. All payout requests are then given to Axis Bank and Bank prints client pay out cheques in the name of respective client.

b) Securities:

For pay in of securities Client has to pay in from his registered account through on market slips.

For payout of shares sub-broker has to give request through software. The shares will be directly delivered to Client's demat account on sub-broker's request.

Margin:

VSSL takes margins from sub-broker as per the rules of SEBI,BSE/NSE. Based on their margin they are getting limits on their terminals.

Contract Note:

Digitally signed Contract note has been issued to the client within 24 hours. Securities Transaction Tax (**STT**) certificate is also sent digitally signed with the contract note on daily basis.

Monitoring Branches/Sub-brokers/DP Operation:

The Company does not have any branches. The Sub-broker inspection is being done by the authorized officials of the Parent Company.

Continuous Monitoring of transactions:

The company has framed adequate risk management system which is strictly complied by officials of respective department.

As per prevailing business rules, trading limit has been restricted to maximum single order value at Rs. 10 lacs and maximum single order quantity at 5000 number of shares/securities.

The company does collect margins from the sub-brokers from time to time as required. The margin limits of all the sub brokers are revised on twice a week basis after considering the outstanding of respective clients and wherever required the margin limit are reduced after adjusting outstanding of clients.

Whenever there is a default in pay-in obligations, the company imposes penalty to its sub-brokers as per prevailing penalty structure of the company.

Moreover, the company has mechanism in place to initiate disciplinary action against erring sub-brokers.

The officials of margin & surveillance department constantly monitor the transaction entered and accordingly, daily report is prepared and submitted to CEO of the company and MD, of VSEL.

The company has in place appropriate procedures for reporting of suspicious transactions to FIU