
PRE - FUNDED POLICY

CAPITAL FOCUS

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Document Information

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1 Introduction

It's a Master Policy of the Company for the acceptance of Prefunded Instruments. This policy is Subject to the rules and regulations of the Exchange from time to time.

2 Title

Acceptance of Prefunded Instrument for trades on Exchanges.

3 Coverage

Head office, all the branches of the Company and all the franchisees of the company wherever trading terminals / IBT terminals are there.

4 Scope

Acceptance of Prefunded Instruments like Demand Draft / Pay-Order / Bank Guarantees from a client against Pay-In Obligation/ Margin.

5 Procedures

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

- If there are Bank Holidays on the following day.
- If the client does not have an account in the bank in which the company has accounts.
- If the client wants to create a position immediately and has no other way of transferring funds.
- If the Bank account of the client is in a cooperative bank, which may take some time for the cheque to be cleared.
- If the company Bank accounts clearing branch is not available in the city/village where the client has his bank account.
- All the procedures prescribed in Cir/MIRSD/03/2011 dated 9/6/2011 Dt 09/06/2011 which is annexed with.

6 Objective

The Objective of this policy is to minimize the frequency of acceptance of Prefunded Instrument, especially Demand Draft where there is a difficulty in tracking the correct source of Issuance.

7 Permissible Limits

The Prefunded Instruments must be accepted only in cases mentioned above and not otherwise. Approval for acceptance must be taken by either of the executive Directors or the Managing Director and only then credit should be given.





Securities and Exchange Board of India

CIRCULAR

CIR/MIRSD/03/2011

June 9, 2011

To

All Recognized Stock Exchanges

Dear Sir/Madam,

Sub: Pre-funded instruments / Electronic fund transfers

1. SEBI vide Circular No. SEBI / MRD / SE / Cir-33 / 2003 / 27 / 08 dated August 27, 2003, while specifying the mode of receipt and payment of funds, has permitted the stock brokers to accept Demand Drafts from their clients.
2. While receiving funds from the clients through pre-funded instruments, such as, Pay Order, Demand Draft, Banker's cheque, etc., it is observed that the stock brokers are unable to maintain an audit trail of the funds so received, as the details of the name of the client and bank account-number are not mentioned on such instruments. This may result in flow of third party funds / unidentified money, which is not in accordance with the provisions of the aforesaid circular and also affects the integrity of the securities market.
3. Therefore, with a view to address the aforesaid concerns, it has been decided in consultation with the major stock exchanges and associations of stock brokers, as under:
 - a. If the aggregate value of pre-funded instruments is ` 50,000/- or more, per day per client, the stock brokers may accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The mode of certification may include the following:

- i. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
 - ii. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
 - iii. Certified copy of the passbook/bank statement for the account debited to issue the instrument.
 - iv. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.
 - b. Maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their clients only.
4. Stock Exchanges are advised to :
 - a. issue necessary instructions to bring the provisions of this Circular to the notice of their constituents and also disseminate the same on their websites;
 - b. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above, as deemed necessary;
 - c. communicate to SEBI, the status of the implementation of the provisions of this Circular by June 30, 2011; and
 - d. develop the monitoring mechanism through internal audit and inspections.
5. This Circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and shall come into effect from the date of this Circular.
6. This circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework" and "Circulars".

Yours faithfully,

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