

POLICY ON PRE-FUNDED INSTRUMENTS & ELECTRONIC TRANSFERS

1. Core Objective & Scope

Pre-funded instruments do not inherently display the source bank account holder's name or number. This creates a high risk of money laundering and third-party fund routing. Therefore, the general stance of the firm is to **discourage the receipt of funds via pre-funded instruments** unless specific verification rules are met.

2. The ₹50,000 Threshold Mandate

In strict compliance with SEBI directives, the firm categorizes pre-funded deposits into two validation tiers:

2.1 Deposits Below ₹50,000 (Per Client, Per Day)

- The instrument may be accepted upon verbal or written confirmation from the client that the funds were drawn exclusively from their registered bank account.
- Systematic scanning must still verify that the client does not repeatedly split large sums into sub-₹50,000 instruments to bypass verification (structuring).

2.2 Deposits of ₹50,000 and Above (Per Client, Per Day)

The firm will **not grant trading credit** or accept the instrument unless it is accompanied by one of the following mandatory proofs of origin, certified by the issuing bank:

1. **Bank Certificate:** A certificate on the bank's official letterhead bearing its seal and signature, confirming the client's name and account number debited for the instrument.
 2. **Certified Requisition Slip:** A copy of the official DD/PO application slip retained and stamped by the bank.
 3. **Bank Statement/Passbook Copy:** A copy of the client's bank statement showing the explicit debit entry matching the exact value and date of the instrument's issuance.
 4. **On-Instrument Endorsement:** The issuing bank explicitly prints or authenticates the client's registered account details directly onto the reverse side of the DD/PO.
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3. Permissible "Special Circumstances" for Acceptance

Pre-funded instruments will only be considered for approval under specific operational scenarios:

- **Extended Banking Holidays:** When continuous holidays block electronic payment systems like NEFT/RTGS.
 - **Immediate Risk Mitigation:** To satisfy an urgent margin shortfall or clear an open ledger debit to prevent systemic RMS liquidation.
 - **Cooperative Bank Constraints:** When a client's primary account is with a rural or co-operative bank lacking real-time net-banking linkages.
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4. Electronic Fund Transfers (Net Banking / UPI / RTGS)

For standard digital transfers, the backend system automatically performs an instant identity cross-check:

- If the incoming fund's originating bank account matching token does not match the client's registered banking mapping, the money is immediately flagged as a **Third-Party Pay-in**.
 - Flagged electronic funds are held in a suspense account and systematically reversed to the originating source within **7 working days**. Trading exposure is never provided against unmapped electronic entries.
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5. Escalation & Approval Matrix

- **Internal Log:** Every accepted pre-funded instrument must be indexed in a central compliance log specifying the instrument number, issuing bank branch, and attached proof of origin.
 - **Management Sign-off:** For any pre-funded transaction exceeding ₹50,000, credit limits will remain locked until the **Principal Officer or Proprietor** reviews the source documents and signs off on the entry.
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