

SKYWARDS INVESTEC PRIVATE LIMITED
BULLSMART
(SEBI Registration no. INZ000315235)

**Policy regarding treatment of
Inactive/Dormant Client Accounts**

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1. Background

SEBI vide circular no. dated December 3, 2009, NSE vide circular no. NSE/INSP/13606 dated December 3, 2009, and NSE/INSP/14048 dated February 3, 2010, BSE notice no. 20091204-7 dated February 4, 2010, directed that a policy be framed by stock brokers to deal with the inactive/dormant accounts. This policy is based on the guidelines and clarifications issued by SEBI and Exchanges regarding the treatment of inactive accounts and ensures uniformity from time to time.

2. Regulatory Framework

This Policy is framed pursuant to the requirements prescribed by SEBI and Stock Exchanges regarding identification, monitoring, treatment, and reactivation of inactive/dormant trading accounts.

The objective of this Policy is to define the criteria for identifying inactive accounts, the treatment of such accounts, and the procedure for reactivation.

This Policy shall be read in conjunction with:

- SEBI circulars issued from time to time
- Exchange bye-laws, rules and regulations
- PMLA / AML guidelines
- Internal Risk Management Policy

3. Objective of the Policy

The objective of this Policy is to establish a robust regulatory and risk management framework for the identification, monitoring, control, and reactivation of inactive or dormant trading accounts, in compliance with the requirements prescribed by the Securities and Exchange Board of India (SEBI) and recognized Stock Exchanges including the National Stock Exchange of India (NSE).

This Policy specifically aims to:

1. Define clear and measurable criteria for classification of trading accounts as inactive or dormant.
2. Prevent operational, financial, and fraud risks arising from misuse of inactive accounts.
3. Ensure protection and proper handling of client funds and securities in accordance with regulatory requirements.
4. Mandate enhanced due diligence and maker-checker controls prior to reactivation of inactive accounts.
5. Maintain complete audit trail and documentation to ensure transparency and regulatory inspection readiness.
6. Align internal systems and controls with SEBI, Exchange, AML, and risk management guidelines.
7. Safeguard investor interest while balancing regulatory compliance and operational integrity.

4. Definition of Inactive / Dormant Account

A client's Trading and/or Demat Account shall be treated as Inactive / Dormant where no trading transaction has been executed in the account for a continuous period of twelve (24) months across all segments and recognized stock exchanges through the Company.

For the purpose of this Policy, "Trading Activity" shall mean execution of buy and/or sell transactions in any segment of a recognized stock exchange through the Company.

Upon expiry of the aforesaid period, the Company may classify the account as Dormant and impose such operational restrictions as deemed appropriate in accordance with applicable regulatory provisions, stock exchange circulars, and the Company's internal risk management framework.

The Company reserves the right to revise the specified period of inactivity in line with directions, circulars, or guidelines issued by SEBI or the Stock Exchanges from time to time.

4.1 Determination of Client-Initiated Activity

For the purpose of classification of an account as Inactive / Dormant, the following shall be regarded as client-initiated transactions:

- Execution of buy or sell trades on the recognized stock exchange(s);
- Placement, modification, or cancellation of orders through authorized trading platforms;
- Transfer of funds or securities pursuant to specific instructions received from the client;
- Any authenticated instruction resulting in debit or credit entries in the client's account.

The following shall not be considered as activity for the purpose of determining inactivity:

- Entries arising out of corporate actions such as dividend, bonus, split, merger, amalgamation, etc.;
- Regulatory, statutory, or exchange-mandated adjustments;
- System-generated entries not triggered by the client.

4.2 Treatment of Corporate Actions and Voluntary Offers

Participation in corporate actions or issuer-driven events shall not, by itself, be construed as client-initiated activity for the purpose of computing the inactivity period.

Accordingly, participation in events including but not limited to buyback offers, open offers, delisting offers, tender offers, rights issues, offers for sale (OFS), or similar transactions shall not qualify as activity solely for the purpose of avoiding dormancy classification.

However, where such participation results in execution of a regular market trade through the recognized stock exchange trading system pursuant to a specific instruction from the client, the same may be treated as client-initiated activity for the limited purpose of this Policy.

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5. Treatment for handling Inactive/dormant accounts:

- I. Accounts identified as Inactive/Dormant in accordance with the criteria specified in this Policy shall be flagged as **“Inactive”** by **Bullsmart** in the UCC records of the respective Stock Exchange(s) as well as in the Company’s back-office system simultaneously.
- II. All accounts designated as **“Inactive/Dormant”** shall be subject to periodic monitoring by the designated **Compliance / KYC / Operations Team** to mitigate the risk of unauthorized or suspicious transactions.
- III. In the event any transaction is executed in an account flagged as **“Inactive,”** the same may attract regulatory scrutiny, and appropriate action may be initiated by the concerned Stock Exchange(s) and/or regulatory authorities.
- IV. Upon classification as Dormant, the client’s trading code shall be deactivated in the trading system, and the client shall not be permitted to execute trades unless the reactivation process is duly completed.
- V. Where a client initiates the reactivation process, the system shall verify the client’s PAN–Aadhaar linkage status and mandatory KYC attributes (currently six attributes as prescribed by the Exchange(s)). Upon successful validation and client confirmation of the required details, the data shall be transmitted to the respective Exchange(s) for activation of the UCC.
 - In case the client is not KRA compliant, the Exchange shall not permit trading.
 - In such cases, the client shall be informed of the KRA non-compliant status along with the relevant validation link/process for completion.
- VI. Where reactivation is sought within one 2year from the date of being flagged Inactive, the Company shall verify and update key client information including address, mobile number, email ID, bank account details, and demat account details. Any changes shall require submission of valid supporting documents and updating in both internal systems and Exchange UCC records.
- VII. Settlement of funds and securities, including any residual balances in Dormant accounts, shall be carried out strictly in accordance with SEBI and Stock Exchange guidelines issued from time to time.
- VIII. Reactivation of an Inactive/Dormant account shall be undertaken only after completion of appropriate due diligence and fulfilment of such conditions as may be considered necessary by Bullsmart. Where an account remains Dormant for a period exceeding one 2 year, fresh documentation, due diligence measures, and In-Person Verification (IPV), if applicable under prevailing regulations, shall be carried out prior to reactivation.

- IX.** In cases where the client has undertaken limited transactions during the dormancy period (such as IPO applications, Mutual Fund investments, or DP operations where the Company acts as a Depository Participant) through authenticated digital platforms, such activity may be considered for verification purposes, subject to regulatory permissibility. Fresh documentation or IPV may not be required where exempted under applicable regulations.
- X.** Bullsmart shall undertake ongoing client due diligence in accordance with the provisions of the Prevention of Money Laundering Act (PMLA), applicable rules, and internal KYC/AML policies, as amended from time to time.
- XI.** In-Person Verification (IPV) may not be required in cases where reactivation is undertaken through authenticated digital means and is permitted under prevailing regulatory guidelines. [Modify as per actual internal IPV policy]

6. Reactivation of Inactive / Dormant Account

6.1 Client Request

Reactivation shall be initiated only upon receipt of a written or authenticated request from the client.

6.2 System Validations

The following checks shall be performed:

- PAN and PAN–Aadhaar linkage verification;
- KYC attribute validation as prescribed by Exchange(s);
- KRA compliance status;
- Verification of registered contact details;
- Review of any pending compliance flags.

6.3 Due Diligence

Appropriate due diligence shall be conducted, including risk profiling review and AML screening.

6.4 Dormancy Beyond Two 2 Year

Where the account has remained Dormant for more than one (1) year, fresh documentation and/or In-Person Verification (IPV), if required under prevailing regulations, may be conducted prior to reactivation.

6.5 Maker-Checker Control

Reactivation shall be processed through system workflow controls with maker-checker authorization. Manual overrides, if any, shall require documented justification and senior-level approval.

6.6 UCC Activation

Upon approval, UCC activation shall be transmitted to the respective Exchange(s), and system logs shall capture date, time, validations, and approving authority.

6.7 Client Intimation

Confirmation of reactivation shall be communicated to the client through registered channels.

7. Process for reactivation of Inactive / dormant account which are inactive on account of Risk Management Policies / Non-Compliance as per Rules, Bye laws, Circulars and Guidelines issued by SEBI, Exchanges:

Where a client's Trading and/or Demat Account has been marked as Inactive, Suspended, or Deactivated pursuant to internal Risk Management policies or due to non-compliance with applicable Rules, Byelaws, Circulars, or Guidelines issued by the Securities and Exchange Board of India (SEBI) or the concerned Stock Exchange(s), the following procedure shall apply:

a. Recording of Deactivation Reason

The specific reason for suspension/deactivation shall be clearly documented in the system, including classification under Risk, Compliance, Surveillance, Margin Default, KYC Deficiency, KRA Non-Compliance, AML Alert, or Regulatory Restriction. No account shall be reactivated unless the original cause of deactivation is fully identified and documented.

b. Client Intimation

The client shall be informed through registered communication channels specifying:

- The reason for deactivation;
- Regulatory or risk basis for such action;
- Corrective measures required;
- Documents and/or compliance steps necessary for reactivation.

c. Rectification of Underlying Non-Compliance

Reactivation shall be considered only upon complete rectification of the deficiency, which may include:

- Clearing margin shortfall or financial obligations;
- Completion of KYC/KRA validation;
- PAN–Aadhaar linkage compliance;
- Submission of updated documents;
- Clarification of surveillance alerts;
- Compliance with AML/PMLA requirements;
- Fulfilment of any regulatory directive.

Partial compliance shall not result in activation.

d. Enhanced Due Diligence (EDD)

Accounts deactivated due to Risk Management concerns, AML alerts, suspicious transactions, or prolonged inactivity shall be subject to Enhanced Due Diligence, which may include:

- Fresh risk profiling;
- Source of funds verification;
- Financial information update;
- In-Person Verification (IPV), if required under prevailing norms;
- Review of past trading pattern and exposure.

e. Approval Mechanism

Reactivation in such cases shall require:

- Review and recommendation by the [Risk Management / Compliance Department – modify as applicable];
- Approval from the designated [Compliance Officer / Principal Officer / Risk Head – modify as per structure].

Manual override, if any, shall require documented justification and shall be subject to audit review.

f. System Controls and Audit Trail

Upon approval:

- System validations shall be completed;
- UCC activation request shall be transmitted to the respective Exchange(s), where applicable;
- Date, time, validation parameters, and approving authority shall be captured in the system;
- Complete audit trail shall be preserved for regulatory inspection.

g. Regulatory Restrictions

Where deactivation is pursuant to direction issued by SEBI or the concerned Stock Exchange(s), reactivation shall be undertaken strictly in accordance with the conditions, timelines, and compliance requirements specified in such directive.

h. Continuous Monitoring Post Reactivation

Accounts reactivated after risk-based suspension shall be placed under heightened monitoring for a reasonable period as determined by the Risk Management framework.

8. Consequences of Inactive / Dormant Account

An account shall be classified as Inactive / Dormant if there are no trades executed in the client's trading account for a continuous period of twelve (12) months, as per SEBI and Exchange guidelines.

Upon such classification, the following consequences shall apply:

I. Restriction on Trading:

The client shall not be permitted to execute fresh trades in the trading account until the account is reactivated in accordance with the prescribed due diligence process.

II. Client Intimation:

The status of the account as Inactive / Dormant shall be communicated to the client through registered email ID / SMS / other mode of communication as recorded in the KYC records.

III. Reactivation Process:

Reactivation of an Inactive / Dormant account shall be carried out only after:

- Obtaining a written / electronic request from the client;
- Verification of client identity through OTP-based authentication, physical verification, or other approved modes;
- Updation and validation of KYC, financial details, and IPV, wherever required;
- Completion of enhanced due diligence, if warranted under the Risk Management Policy.

IV. Maker-Checker Control:

Reactivation shall be subject to maker-checker authorization with complete system audit trail to ensure regulatory compliance and prevent misuse of dormant accounts.

V. Risk-Based Monitoring:

The first transaction post reactivation shall be subject to heightened surveillance and monitoring in line with SEBI circulars on prevention of misuse of dormant accounts and PMLA obligations.

VI. Funds and Securities Handling:

Settlement of funds and securities shall continue to be governed by SEBI and Exchange norms. No debit transactions shall be permitted without proper client authorization.

The above controls are implemented to safeguard client assets, prevent unauthorized use of dormant accounts, and ensure compliance with SEBI circulars, Exchange directives, PMLA requirements, and internal risk management policies.

9. Controls After Reactivation of Inactive / Dormant Accounts

Upon reactivation of an Inactive / Dormant account, the following post-activation controls shall be implemented to prevent misuse and ensure regulatory compliance:

I. Heightened Transaction Monitoring:

The first few transactions post reactivation shall be subject to enhanced surveillance, including monitoring of unusual trading patterns, abnormal volumes, and off-market transfers, in line with SEBI and Exchange directives.

II. Risk-Based Review by RMS / Compliance:

The Risk Management System (RMS) team shall conduct a risk-based assessment of trades executed after reactivation. Any suspicious activity shall be escalated to Compliance for review under PMLA and internal surveillance policies.

III. Client Confirmation:

Confirmation of reactivation and subsequent transaction details shall be communicated to the client through registered email/SMS to ensure transparency and detect any unauthorized activity.

IV. No Immediate High-Risk Exposure:

Exposure limits may be conservatively set or temporarily restricted based on internal risk parameters until normal trading behavior is established.

V. Audit Trail & Documentation:

Complete system audit trail of reactivation request, verification, maker-checker approval, and subsequent transactions shall be maintained for inspection and audit purposes.

VI. Periodic Review:

Reactivated accounts shall be subject to periodic review to ensure continued compliance with KYC, financial information, and risk categorization requirements.

These controls are implemented to safeguard client interests, prevent unauthorized use of dormant accounts, and ensure adherence to SEBI circulars, Exchange guidelines, and internal compliance and surveillance frameworks.

10. Return of Client Assets

Bullsmart ensures that all client funds and securities are fully protected and maintained in segregated accounts, separate from the company's proprietary assets. Client assets are handled strictly in accordance with SEBI and Exchange guidelines, with all payouts and settlements carried out only to client-registered accounts. For accounts under running account settlement, funds and securities are periodically settled as per the client's authorization and regulatory timelines.

Inactive or dormant accounts continue to have their funds and securities protected, and no transactions are executed without proper client authorization. All account reactivations, payouts, and transfers follow strict verification, maker-checker controls, and audit trails to ensure transparency, regulatory compliance, and investor protection.

11. Reporting of Client Funds & Securities

Bullsmart maintains strict reporting and reconciliation procedures for all client funds and securities to ensure transparency, regulatory compliance, and investor protection.

1. Daily Reconciliation

- **Accounts / Operations:** Reconcile client funds and securities daily against system records and custodian balances.
- **RMS:** Review for discrepancies, unusual transactions, or high-risk movements.
- Any identified shortfalls are immediately addressed and escalated to Compliance for review.

2. Periodic Reporting to Regulators

- Bullsmart submits client asset reports and disclosures to SEBI and Exchanges as required under applicable circulars and regulations.
- Reports include details of funds, securities, running account settlements, and outstanding client obligations.
- Compliance ensures timely filing and accuracy of all submissions.

3. Internal Reporting & Audit

- Detailed reporting of client assets, fund movements, and securities transactions is generated for internal audit and management review.
- Maker-checker workflows and system audit trails are maintained for all fund/securities movements.
- Compliance / RMS / Accounts / Operations jointly review these reports to ensure accuracy, completeness, and regulatory adherence.

4. Client Reporting

- Clients receive periodic account statements detailing funds, securities holdings, trades, and settlement status.
- Running account settlement statements are sent at the chosen periodicity (monthly/quarterly) in line with SEBI circulars.

These reporting measures ensure that all client assets at Bullsmart are accurately tracked, reconciled, and transparently reported to both clients and regulators, in full compliance with SEBI, Exchange, and internal risk management requirements.

12. Internal Audit

At Bullsmart, we regularly review our processes through a thorough internal audit to make sure your funds and securities are safe and all operations comply with SEBI and Exchange rules.

Our audits check everything from account onboarding, trading, and fund movements to inactive accounts and system controls. Any issues identified are promptly corrected, giving you confidence that your investments are monitored, secure, and always handled responsibly.

13. Review of Process

Bullsmart conducts periodic reviews of all operational, risk, and compliance processes to ensure efficiency, regulatory compliance, and protection of client assets. These

reviews are a critical part of the company's governance framework and help identify gaps, enhance controls, and ensure adherence to SEBI and Exchange guidelines.

I. Scope of Review

- **Client Onboarding & KYC/IPV:** Ensure all accounts are opened in compliance with SEBI, Exchange, and PMLA requirements.
- **Trading Operations:** Review trade execution, order routing, and settlement processes.
- **Funds & Securities Handling:** Verify segregation, reconciliation, and timely payout of client assets.
- **Inactive/Dormant Account Management:** Assess classification, communication, reactivation, and monitoring procedures.
- **Risk & Compliance Controls:** Evaluate effectiveness of maker-checker controls, system alerts, and risk monitoring frameworks.

II. Frequency

- Process reviews are conducted periodically, based on risk assessment:
 - High-risk or critical processes: Monthly or quarterly
 - Other operational processes: Annually
- Ad-hoc reviews may be triggered by regulatory updates, audit findings, or unusual events.

III. Reporting & Follow-Up

- Observations from process reviews are documented and reported to Compliance, RMS, Operations, Accounts, and senior management.
- Corrective actions are tracked to closure with defined timelines and accountability.
- Review findings feed into internal audit plans, risk mitigation measures, and process improvement initiatives.

IV. Regulatory Alignment

- All process reviews are conducted in line with SEBI, Exchange, and RBI circulars and internal risk management frameworks.
- Review records and reports are maintained for inspection and audit purposes, ensuring full transparency and accountability.

14. Actions For Non-Compliance

At Bullsmart, we take regulatory compliance and safety of your funds and securities very seriously. If any process or transaction does not meet SEBI or Exchange rules, we investigate it promptly and take corrective action to protect your assets.

This may include fixing account discrepancies, update processes, or alerting the client if required. For serious issues, Bullsmart also reports to the relevant regulatory authorities. All steps are carefully monitored to ensure transparency, accountability, and ongoing protection of your investments.

15. Approval Authority

This policy has been reviewed and approved by the Board of Directors of Bullsmart. The Board holds the ultimate authority for approval, amendment, and periodic review of this policy to ensure compliance with SEBI and Exchange regulations, internal governance standards, and regulatory inspection readiness.

- **Policy Implementation:** The management team is responsible for implementing and enforcing the provisions of this policy across all departments.
- **Periodic Review:** The Board shall review this policy at least annually or whenever regulatory or operational changes necessitate an update.
- **Amendments:** Any amendments to the policy require formal approval from the Board of Directors.

16. Policy Review & Policy Communication

I. Policy Review

Frequency: All policies at Bullsmart shall be reviewed at least annually or sooner if there are regulatory updates, organizational changes, or audit findings.

Responsibility: The Compliance Department, in coordination with Operations, RMS, and Accounts, is responsible for initiating the review of all policies.

Process:

- Assess current regulatory compliance (SEBI, Exchange, RBI, PMLA, and other applicable guidelines).
- Evaluate operational effectiveness, controls, and risk mitigation measures.
- Identify gaps or areas requiring updates, improvements, or additional controls.

Approval: Any updates or revisions to the policy require approval by the Board of Directors before implementation.

Documentation: All policy review records, amendments, and approvals must be documented and maintained for audit and inspection purposes.

2. Policy Communication

Internal Communication:

- Policies are communicated to all employees through official channels (intranet, email, or internal circulars).
- Department heads are responsible for ensuring that team members understand their responsibilities under the policy.
- Training sessions or refresher programs may be conducted for high-impact or regulatory-critical policies.

3. External Communication (if applicable):

- Policies relevant to clients, investors, or public disclosures (e.g., inactive account policy, fund protection, grievance redressal) shall be made available on the company website or app in a clear and accessible format.
- Any updates or amendments that affect clients will be communicated through official notifications, emails, or app alerts as required by SEBI and Exchange guidelines.

4. Compliance Oversight:

- Compliance ensures that all employees and relevant stakeholders acknowledge receipt and understanding of policies where required.
- A log of communications, acknowledgments, and training attendance is maintained for audit purposes.