

POLICY ON PRE-FUNDED INSTRUMENTS & ELECTRONIC FUND TRANSFERS

Effective Date: As per SEBI Circular | **Classification:** Mandatory Compliance | **Applies to:** All Trading Clients

1. Preamble

Skywards Investec Private Limited (“the Company”), operating under the brand name Bullsmart, is committed to ensuring strict compliance with regulatory requirements governing receipt of client funds.

This Policy is framed in line with guidelines issued by the Securities and Exchange Board of India and obligations under the Prevention of Money Laundering Act, 2002 (PMLA) to ensure transparency, traceability, and prevention of misuse of the securities market through unidentified or third-party funds.

2. Objective

This Policy aims to:

- Prevent acceptance of third-party funds
- Ensure complete audit trail of client fund receipts
- Establish strict controls over pre-funded instruments
- Ensure compliance with SEBI and PMLA regulations
- Mitigate risks related to money laundering and market abuse

3. Scope

This Policy applies to:

- All client fund receipts through:
 - Pre-funded instruments (Demand Drafts, Pay Orders, Banker’s Cheques)
 - Electronic fund transfers (NEFT/RTGS/IMPS/UPI/ECS)

4. Key Policy Principles

4.1 Prohibition of Third-Party Instruments

- Trading account records
- Source bank account

4.2 Threshold Limit (₹50,000 per Client per Day)

- The threshold of ₹50,000 (aggregate per client per day) shall apply

- Enhanced due diligence is mandatory where the threshold is met or exceeded

4.3 Documentation Requirements (₹50,000 and Above)

For instruments aggregating ₹50,000 or more per day per client, the Company shall obtain any one of the following certified documents confirming the source of funds:

- Bank certificate (on letterhead/seal) specifying:
 - Name of account holder
 - Bank account number debited
- Certified copy of requisition slip used for issuance of instrument
- Certified copy of bank passbook / bank statement showing debit entry
- Authentication by issuing bank on reverse of instrument confirming:
 - Account holder name
 - Account number

Documents must clearly establish that funds are debited from the client's own account.

Instruments without such documentation shall not be accepted or processed.

5. Acceptance of Pre-Funded Instruments

5.1 General Rule

Pre-funded instruments are discouraged and shall be accepted only under exceptional circumstances

5.2 Permitted Exceptional Scenarios

Acceptance may be allowed in the following situations:

- Bank holidays restricting electronic transfers
- Clients holding accounts in co-operative banks with limited EFT access
- Urgent margin or settlement obligations
- Clients located in remote areas with limited banking infrastructure

6. Electronic Fund Transfers (EFT)

6.1 Permitted Mode

Funds must be received only from the client's registered bank account

6.2 Verification Requirements

- Verify:
 - Sender name
 - Bank account details (where available)
- Ensure mapping with client records

6.3 Unregistered / Mismatch Cases

Funds received from:

- Unregistered bank account OR
- Unidentified source

Shall be:

- Parked in Suspense / Unidentified Account
- Not credited to client ledger

Only after:

- Proper verification
- Compliance approval

shall the funds be credited or returned

7. Audit Trail & Record Maintenance

The Company shall maintain a complete audit trail for all transactions, including:

- Source of funds
- Client identification
- Supporting documents
- Approval records

Records shall be maintained in compliance with PMLA and SEBI requirements and must be:

- Readily retrievable
- Available for audit and inspection

8. Operational Controls

- Daily monitoring of client fund receipts
- Identification of structured transactions (e.g., multiple instruments below ₹50,000)
- Maker-checker mechanism for verification and approval
- System-based alerts for mismatches or exceptions

9. Action in Case of Non-Compliance

If a pre-funded instrument does not meet policy requirements:

9.1 Immediate Actions

- Do not bank or process the instrument
- Contact the client immediately for required documentation

9.2 If Documentation is Provided

- Verify authenticity
- Process only after compliance confirmation

9.3 If Documentation is Not Provided / Mismatch Exists

- Reject the instrument
- Return funds to the source
- Escalate to Compliance

9.4 In Case of Suspected Violations

- Report to Compliance Officer
- Further action may include regulatory reporting as required

10. Roles & Responsibilities

Operations Team

- Verify instruments and documents
- Ensure threshold compliance
- Maintain records

Accounts Team

- Ensure proper accounting and reconciliation
- Maintain audit trail

Compliance Officer

- Monitor adherence
- Approve exceptions
- Report regulatory breaches

11. Monitoring & Review

- Periodic internal audits shall be conducted
- Compliance shall review:
 - High-value transactions
 - Exception reports
- Policy shall be updated in line with regulatory changes

12. Consequences of non-compliance

Failure to comply may result in:

- Rejection of funds

- Internal disciplinary action
- Reporting to regulators, including SEBI
- Penalties under applicable laws including PMLA

13. Key Principle

No funds shall be accepted unless the source is clearly identifiable, verifiable, and directly linked to the client. Third-party funding is strictly prohibited.