



Pre-Funded Instruments / Electronic Fund Transfers Policy

LGT Capital Markets Private Limited

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INTRODUCTION/ BACKGROUND

LGT Capital Markets Private Limited (hereinafter referred to as "LGT Capital") is incorporated under the Companies Act, 2013, with Corporate Identification Number (CIN) U66120MH2024PTC418285. LGT Capital is a SEBI-registered Stock Broker with registration number INZ000319637. It is a Trading Member of BSE Limited (BSE) with membership code 6877 and National Stock Exchange of India Limited (NSE) with membership code 90395. Further, LGT Capital is also SEBI registered Depository Participant of CDSL with registration number IN-DP-793-2025.

PURPOSE

The purpose of this policy is to address the concerns raised by the regulator including SEBI and Exchanges regarding the receipt of funds from clients through pre-funded instruments. SEBI has observed that stock brokers face challenges in maintaining an audit trail of funds received through such instruments, as the client's name and bank account number are not typically mentioned. This lack of identification can lead to the acceptance of third-party funds or unidentified money, posing risks to the integrity of financial transactions.

SCOPE

In accordance with SEBI Circular No. CIR/MIRSD/02/2011 dated June 9, 2011, and guideline issued by Exchanges, this policy establishes the framework for acceptance of pre-funded instruments, such as Demand Drafts, Pay Orders, Banker's cheque and similar instruments, from clients.

The scope of this policy includes the documentation and enforcement of procedures for verifying and monitoring client transactions, with a primary focus on ensuring that the funds provided by clients are sourced directly from their own accounts. It aims to mitigate the risks associated with third-party funds, enhance transparency, and maintain a robust audit trail for all transactions.

DEFINITION

"Pre-funded Instruments" refer to financial instruments that are pre-paid and used for making payments. For the purpose of this policy, Pre-funded Instruments include, but are not limited to, the following:

- Pay Orders
- Demand Drafts
- Banker's Cheques
- Any other similar instrument that is issued by a bank and falls under the ambit of Pre-funded Instruments.

POLICY

As a Policy of the Company discourages receipt of funds from the Clients through Pre-funded Instrument means i.e., Demand Draft, Pay Orders, Banker's Cheque etc This is to discourage the flow of third party funds or unidentified money into the System to avoid future litigations and comply with the Regulations of the regulatory bodies.

Definition of Special Circumstances

Prefunded Instruments may be accepted under special circumstances with the following approval

First level approval: Compliance Officer of LGT Capital.

Second Level approval: Chief Operating Officer (COO)

The special circumstances include:

- Continuous Bank Holidays – When consecutive bank holidays prevent timely fund transfers.
- Client Having an Account in Other Banks or a Co-operative Bank – If the client's bank does not facilitate seamless fund transfers.

- To Meet Immediate Margin/Settlement Shortfall – When funds are required urgently to cover margin or settlement obligations.
- To Take Fresh Position – If the client needs to initiate a new trade position but is unable to transfer funds immediately.
- Client's Bank or City Lacking Clearing Facility – When fund transfers are hindered due to the absence of a clearing mechanism in any city or location.
- Non-Availability of Cheque Book or Delay in Procuring a Cheque Book – If the client is unable to issue a cheque due to a delay in obtaining or replenishing a cheque book.
- Client Facing Difficulty with Online Banking or Net Banking Facility – When the client encounters technical issues preventing digital fund transfers.
- Defaulting Client – A client with past defaults and it requires immediate recovery from the defaulting clients.
- Regulatory or System Constraints – When fund transfers are restricted due to regulatory controls, system failures, or temporary account freezes.

Any Other Unforeseen Circumstances – Any additional situation where the client is unable to transfer funds due to factors beyond their control, subject to approval.

DOCUMENTATION REQUIREMENTS

If the total value of pre-funded instruments received from a client is Rs. 50,000 or more per day per client, the following conditions must be met before accepting the instrument:

1. The instrument must be accompanied by details of the bank account holder's name and the bank account number that was debited for the payment. These details must be certified by the issuing bank.
2. The certification can be provided in one of the following ways:
 - a. A certificate from the issuing bank on its official letterhead or plain paper, with the bank's seal.
 - b. A certified copy of the requisition slip (the portion retained by the bank) used to issue the instrument.
 - c. A certified copy of the passbook or bank statement showing the account debited for the instrument.
 - d. Authentication of the bank account number and the account holder's name by the issuing bank on the reverse side of the instrument.

These steps are required to ensure proper tracking of the source of funds and maintain compliance with regulatory requirements.

AUDIT TRAIL FOR ELECTRONIC FUND TRANSFER

LGT Capital shall maintain a clear and accurate audit trail of all funds received through electronic fund transfers. This is to ensure that the funds are sourced exclusively from the clients' own accounts and to prevent the acceptance of third-party funds.

REVIEW

The policy will be reviewed and updated as required to incorporate any changes introduced by regulatory authorities. Additionally, it will undergo periodic reviews to ensure its continued relevance, effectiveness, and alignment with current regulatory requirements and industry standards.