

NAME OF THE STOCKBROKER

**POLICY OF INCENTIVES/REFERRAL
SCHEMES**

POLICY CONTROL

Version: 1.0

Version Date: _____ (Date of Passing Board Resolution)

Approved by: Board of Directors

Department in Charge:

Frequency of Review: Yearly or as and when any update comes change in the Relevant Regulation comes or any change in the Company's internal control or Structure whichever is earlier.

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Policy on Incentives/Referral Schemes

I. BACKGROUND:

This Policy is framed in accordance with NSE Circular No. NSE/INSP/43029, dated December 26, 2019, NSE/INSP/43824 dated March 11, 2020, NSE/INSP/51770 dated March 25, 2022 and BSE Notice No. 20191227-39, dated: December 27, 2019, 20200311-57 dated March 11, 2020; SEBI Circular No. MIRSD/DR-1/Cir 16/09 dated November 06, 2009, NSE Circular No. NSE/COMP/48536 dated June 09, 2021, NSE/COMP/56947 dated June 02, 2023, and NSE/COMP/58438 dated September 18, 2023, which states that all the trading members are required to have an appropriate policy framework w.r.t. quantum / maximum limit on the incentive to be provided to the referring person.

II. OBJECTIVE:

The objective is to promote transparent, documented and compliant referral arrangements while safeguarding client interests and preventing inducements that could compromise suitability, KYC/AML compliance or conflict of interest. This policy is framed to deal with quantum/ maximum limit on the incentive to be provided to the referring person. The above documents require that referral schemes be transparent, limited to fixed/flat rates, not involve advisory/selling by the referrer, and be governed by documented policies approved by the Board.

III. DEFINITIONS:

- **'Referring Person'** means an individual or entity that refers a prospective client to the company and is remunerated under a formal referral arrangement.
- **'Client'** refers to the prospective or existing account holder who opens a trading/demat account with the company.
- **'Authorised Person (AP)'** means an individual/ entity registered with the Exchange as AP of the Trading Member, where applicable.
- **'Incentive'** means any monetary or non-monetary benefit offered to the Referring Person for successful referrals.

IV. SCOPE:

This Policy applies to:

- All employees, directors, authorised persons (APs), agents, affiliates and any third parties engaged in referring clients.
- All referral schemes, incentive arrangements, marketing incentives, affiliate programs and brokerage sharing arrangements offered by the company.

V. GUIDELINES WHILE OFFERING SUCH INCENTIVES/REFERRAL TO THE REFERRING PERSON:

The Company shall ensure the following minimum principles are followed for any incentive/referral scheme:

- **Fixed / Flat Rate:** Incentives shall be structured as a flat fixed rate (per account or per trade/volume slab) and shall not be variable or percentage based. Also, the company may have different referral incentive rates across different referring person.
- **Limited Role of Referrer:** The Referring Person shall be limited to referral activity only and shall not engage in advisory, solicitation of trades, portfolio management or placement of client orders. All correspondences viz. Contract Notes, Daily Margin Statement, Statement of Accounts, Annual Global Transaction Statements etc. will be sent to the respective client only and under no circumstances will go to the referring person
- **No Inducement of Client:** The referred client must receive clear disclosure and must not be subject to any undue inducement by the Referring Person. All decisions to trade must be taken by clients themselves.
- **Board Approval & Documentation:** All schemes must be approved by the Board and supported by a written Referral Agreement, Terms & Conditions and internal processes.
- **KYC / AML Compliance:** The Company must ensure complete KYC and AML checks of referred clients in line with PMLA and exchange/SEBI requirements. Referrals do not bypass standard onboarding defined in the KYC / AML Policy.
- **UCC / Records:** All referral details, specimen signatures (where applicable), maximum incentive slabs, and identity of referees shall be recorded in the back-office and UCC records of the Exchange as required.
- **Audit Trail & Reporting:** Maintain a complete audit trail of referrals, payments, Terms & Conditions, board approvals and periodical reconciliation.
- **Cap / Quantum:** The Board should specify maximum quantum payable per referral or per period to control risk and regulatory scrutiny.
- **Conflicts of Interest:** Avoid arrangements that could create conflicts (e.g., revenue sharing linked to recommended products). Any potential conflict must be disclosed and mitigated.
- **Confidentiality:** All the details pertaining to the client will be maintained confidentially and the same will not be disclosed to any person except as required under any law/ regulatory requirements or with the express written permission of the client.
- **IPV/OSV:** The referring person cannot conduct IPV/OSV except under an obligation to undertake IPV/OSV under their respective governing regulations, may continue to do so.
- **Recovery of Incentive amount:** Incentive amount will not be recovered from the client being referred to and no obligation whatsoever will be cast on such client. There will be no financial transaction between the referred client and the referring person under the arrangement.

- **Maintenance of records:** All referral agreements, payouts and related documentation to be maintained by the Company for at least for minimum period of five years or as prescribed by SEBI / Exchanges from time to time.

The Company shall also comply with code of conduct prescribed for Stockbrokers under Regulation 9 of SEBI (Stockbrokers) Regulations, 1992 and all relevant Byelaws, Rules & Regulations and of SEBI/ Exchange w.r.t. sharing of Brokerage, Account Opening, Inducement to Trade, Sales Practices, Orders Placement etc. issued from time to time.

VI. PROHIBITIONS & CONTROLS:

- **No Advisory Role:** Referrers shall not give investment advice unless appropriately registered.
- **No Solicitation of Orders:** Referrers shall not place orders on behalf of clients.
- **No Inducements:** Incentives must not be so huge as to induce clients to trade unnecessarily.
- **Compliance with Exchange Circulars:** Adhere to limits and prescriptions laid down by exchanges (e.g., flat-rate requirement, record-keeping).

VII. MONITORING & AUDIT:

- Internal Compliance shall perform quarterly reviews of referral payouts, scheme adherence, and exception reporting.
- External audit of referral payments and controls shall be conducted annually as part of statutory/SEBI inspections.
- Any deviation or misuse must be reported to the Board and corrective action initiated immediately.

VIII. CLARIFICATION/INFORMATION:

In case of any clarification/information required on the implementation of the Policy, please contact the Compliance Officer on Email - _____, Tel No. _____.

IX. REVIEW:

The said policy shall be reviewed by the Board of the Directors on a yearly basis or as and when any update comes change in the Relevant Regulation/Circular comes or any change in the Company's internal control or Structure and when it is found necessary to change on account of Business needs and Risk Management Policy.

The Compliance officer has the authority to give directions to undertake additions, changes, and modifications, etc. to this Policy, and the same shall be effective per the authority of the Compliance Officer and thereafter be ratified by the Board of the Directors at its next review.

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