

NAME OF THE STOCKBROKER

POLICY ON OUTSOURCING OF ACTIVITIES

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 OUTSOURCING OF ACTIVITIES

I. BACKGROUND:

_____ **(Name of the Stock Broker)** (herein after referred to as “the Company”) is a Registered Intermediary with SEBI as a Stock Broker. SEBI vide Circular CIR/MIRSD/24/2011 dated December 15, 2011, issued Guidelines on Outsourcing of Activities by Intermediaries (“SEBI Circular”). In terms of the said Circular, all intermediaries are required to have in place a comprehensive policy, duly approved by the board of directors, to guide the assessment of whether and how those activities can be appropriately outsourced.

As per SEBI guidelines, Outsourcing means the use of one or more than one third party [“outsourcer(s)”] either within or outside the group – by a registered intermediary to perform the activities associated with services which the intermediary offers. In other terms, outsourcing involves transferring responsibility for carrying out an activity of an intermediary (Previously carried out internally) to an outsourcer for an agreed charge. The outsourcer provides services to the customer (Intermediary) based on mutually agreed service level, normally defined as per a formal contract.

Many commercial benefits have been ascribed to outsourcing, the most common amongst these being:

- ❖ Reduce the organization’s costs
- ❖ Greater focus on core business by outsourcing non-core functions
- ❖ Access to world-class skills and resources

II. OBJECTIVE:

The objective of this policy is to further specify inter-alia about

- (i) nature of activities which can be outsourced
- (ii) nature of activities which cannot be outsourced
- (iii) criteria to select an outsourced party (Third Party)
- (iv) various controls to reduce the risks associated with outsourcing and
- (v) to ensure the high standards of services all the time as well as proper care in the Company’s operations.

III. NATURE OF ACTIVITIES WHICH CAN BE OUTSOURCED:

In the light of this policy and in due Compliance of SEBI circular dated December 15, 2011, **(Name of the Stock Broker)** shall outsource the following activities relating to record keeping.

- To store and preserve KYC forms with all safety, security and in confidential manner
- To retrieve and provide the scanned /photocopied / original KYC form as per the requirements from time to time and to maintain proper documents in this respect.

IV. NATURE OF ACTIVITIES WHICH CANNOT BE OUTSOURCED:

The Company shall not outsource the following core activities: -

- Execution of orders
- Monitoring of trading activities of clients and other transactions like pledge, freeze, etc.
- Dematerialisation of securities
- Investment related activities
- Monitoring and redressal of investor grievances.
- Compliance Function

V. CRITERIA TO SELECT AN OUTSOURCED PARTY (THIRD PARTY):

The Company shall conduct appropriate due diligence in selecting the outsourced party to ensure that it has the ability and capacity to undertake the provision of services effectively. The due diligence shall include assessment of:

- a. outsourced party's resources and capabilities, including financial soundness, to perform the outsourcing work within the fixed timelines;
- b. compatibility of the practices and systems of the Outsourced party with the Company's requirements and objectives;
- c. market feedback of the prospective Outsourced party business reputation and track record of the services rendered in the past;
- d. level of concentration of the outsourced arrangements with a single Outsourced party;
- e. Location of the Outsourced Party
- f. Business Continuity and Disaster Recovery Plan in place so as to ensure uninterrupted service to the Company and to take care of contingencies.

Outsourced parties should not be allowed to reassign/sub-contract the activities to any other third party without the Company's consent in writing.

VI. CONTROLS TO REDUCE THE RISKS ASSOCIATED WITH OUTSOURCING:

Outsourcing relationships shall be governed by written contracts / agreements / terms and conditions (as deemed appropriate) {hereinafter referred to as "contract"} that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures, etc. Typically, Outsourcing Agreement / Contract may include the following: -

- Outsourcing arrangements governed by a clearly defined and legally binding written contract between the _____ and each of the third parties.
- Outsourcing contract:
 - Clearly defines what activities are going to be outsourced, including appropriate service and performance levels;
 - Provides for mutual rights, obligations and responsibilities of the _____ and the third party, including indemnity by the parties;
 - Provides for the liability of the third party to the Company for unsatisfactory performance/other breach of contract.
 - Provides for the continuous monitoring and assessment by _____ of the third party so that any necessary corrective measures can be taken up immediately;
 - includes, where necessary, conditions of sub-contracting by the third party, i.e. the contract shall enable _____ to maintain a similar control over the risks when a third party outsources to further third parties as in the original direct outsourcing;
 - Has unambiguous confidentiality clauses to ensure protection of proprietary and customer data during the tenure of the contract and also after the expiry of the contract;
 - Specifies the responsibilities of the third party with respect to the IT security and contingency plans, insurance cover, business continuity and disaster recovery plans, force majeure clause, etc.;
 - Provides for preservation of the documents and data by third party ;
 - Provides for the mechanisms to resolve disputes arising from implementation of the outsourcing contract;
 - Provides for termination of the contract, termination rights, transfer of information and exit strategies;
 - Neither prevents nor impedes the _____ from meeting its respective regulatory obligations, nor the regulator from exercising its regulatory powers; and
 - Provides for _____ and /or the regulator or the persons authorized by it to have the ability to inspect, access all books, records and information relevant to the outsourced activity with the third party.

VII. SAFEGUARDS:

- The _____ and its third parties establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of backup facilities.
- Specific contingency plans are separately developed for each outsourcing arrangement, as is done in individual business lines.
- _____ takes appropriate steps to assess and address the potential consequence of a business disruption or other problems at the third-party level.
- _____ ensures that third party maintains appropriate IT security and robust disaster recovery capabilities.
- Periodic review of the critical security procedures and systems of the backup facilities shall be undertaken by _____.
- The _____ takes appropriate steps to require that third parties protect confidential information of both _____ and its customers from intentional or inadvertent disclosure to unauthorized persons.
- _____ takes appropriate steps to protect its proprietary and confidential customer information and ensure that it is not misused or misappropriated.
- _____ prevails upon the third party to ensure that the employees of the third party have limited access to the data handled and only on a “need to know” basis and the third party have adequate checks and balances to ensure the same.
- In cases where the third party is providing similar services to multiple stock broker entities, _____ ensures that to ensure that strong safeguards are put in place by the third party to build safeguards for data security & confidentiality and there is no comingling of information /documents, records and assets.

VIII. MAINTENANCE OF RECORDS:

The records relating to all activities outsourced shall be preserved so that the same is easily accessible for review by the Board of the Company and / or its senior management, as and when needed.

IX. CLARIFICATION/INFORMATION:

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

X. REVIEW:

It is responsibility of Board of Directors and Compliance Officer to ensure that all the ongoing outsourcing decisions taken by the Company and the activities undertaken by the outsourced party are in consonance with the outsourcing policy. They shall also be responsible for assessing and evaluating the risks such as operational risk, reputational risk, legal risk, country risk, exit-strategy risk, counter party risk, etc. during the review

of the outsourcing activities and take necessary action in case if any discrepancy is found during the process.

The Board Directors of the Company shall review the outsourcing sourcing activities at least once in a financial year.

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