

POLICY ON OUTSOURCE OF ACTIVITIES

OF

CFS FINANCIAL SERVICES PRIVATE LIMITED

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SEBI Regn. No.: INZ000224536
Depository Participant – NSDL-IN-DP-138-2015

VIDE SEBI CIRCULAR NO CIR/MIRSD/24/2011 DATED DECEMBER 15, 2011



1. DEFINITION OF OUTSOURCING

Outsourcing is an arrangement whereby an entity engages a third party (the service provider/ outsourced agency) to provide a service that may already or may conceivably be performed by the entity itself.

2. BACKGROUND

Outsourcing of any business activities is associated with risk which includes operational risk, reputational risk, legal risk, strategic risk, counter party risk, concentration and systemic risk and re-strategic risk. To address the concerns arising from outsource of the business SEBI has provided a guideline on outsource of activities vide circular no SEBI CIRCULAR NO CIR/MIRSD/24/2011 dated December 15, 2011.

3. CORE AND CRITICAL ACTIVITIES OF CFS FINANCIAL SERVICES PRIVATE LIMITED (the 'Company')

3.1 Presently, **the Company does not outsource any of the business activities including the core and critical activities.** As per the SEBI guidelines, core and critical activities will not be outsourced moreover, any activity if it would impair the supervisory authority's right to assess or its ability to supervise the business of the intermediary should not to be outsourced.

3.2 The core and critical activities shall include but may not be limited to the following which **cannot be outsourced** by the Company:

- i. *Execution of Orders, settlement and monitoring of trade activities of the clients;*
- ii. *Surveillance functions;*
- iii. *Dematerialization of securities, in case of Depository Participant*
- iv. *Investment activities in case of Mutual Funds*
- v. *Compliance functions*
- vi. *Monitoring investor's grievances*

3.3 The Company **may outsource** the following business activities:

- i. Data entry, opening of trading accounts, scanning and storage of account opening forms
- ii. Printing and dispatch of welcome kits and dispatch of quarterly transaction statements
- iii. Dispatch of contract notes
- iv. Any such non-critical activity which in the view of the Management needs to be outsourced



4. DUE DILIGENCE

The Company shall conduct appropriate due diligence in selecting the third party to whom any activity is proposed to be outsourced. It shall be ensured that outsourced activities are further outsourced downstream only with the prior consent and with appropriate safeguards including proper legal documentation/ agreement.

5. MONITORING

An effective monitoring of the entities selected for outsourcing shall be done to ensure that there is check on the activities of outsourced entity. The Company shall be fully liable and accountable for the activities that are being outsourced to the same extent as if the service were provided in-house.

6. APPROVAL/REVIEW

This policy shall be approved by the Board and reviewed by the Managing Director as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change the policy due to business needs.

7. GUIDELINES FOR THE THIRD PARTY AGREEMENT

The company does not outsource any of the activities. However, in future if the company considers outsourcing of activities then the company shall follow the following guidelines in the third party agreement:

- i. The Company would establish a comprehensive outsourcing risk management program to address the outsourced activities and their relationship with the third party.
- ii. The Company would ensure that outsourcing arrangements neither diminish its ability to fulfill its obligations to customers and regulators, nor impede effective supervision by the regulation.
- iii. The Company shall conduct appropriate due diligence in selecting the third party and in monitoring of its performance.
- iv. Outsourcing relationships will be governed by written contracts agreements/ terms and conditions (as deemed appropriate) (here-in-after referred as 'contracts') that clearly describes all material aspects of the outsourcing arrangements, including rights, obligations, responsibilities and expectations of the parties to the contract, client confidentiality issues, termination procedures etc.



- v. The Company and the third party shall establish and maintain a contingency plans, including a plan for disaster recovery and periodic testing of backup facilities.
- vi. The company shall take appropriate steps that require third parties protect confidentiality information of both the Company and its customers from intentional and inadvertent disclosure to unauthorized person.
- vii. Potential risks posed where the outsourced activities of multiple intermediaries are concentrated with a limited number of third parties.