



CFS Financial Services Pvt. Ltd.

POLICY FOR TREATMENT OF INACTIVE ACCOUNT

OF

CFS FINANCIAL SERVICES PRIVATE LIMITED

Regd. Office – F-12, Green Park Main, New Delhi – 110016,

Dealing Office – Plot No DSS – 13 & 14, HUDA Market, Sector – 30, Faridabad, Haryana- 121001

CIN – U74899DL1994PTC062182

Tel.: 011-40502714, 41637972, 0129-4103611-14, 0129-4103635-36, Email: info@cfstradecity.in

In case of any grievances please write to complaints@cfstradecity.in

SEBI Regn. No.: INZ000224536

Depository Participant – NSDL-IN-DP-138-2015

SEBI circular no MIRSD/ SE /Cir-19/2009 dated December 3, 2009

NSE circulars no NSE/INSP/13606 dated Dec 03, 2009, NSE/INSP/14048 dated Feb 03, 2010 and

NSE/INSP/43488 date February 10, 2020

Version – 2.0



1. BACKGROUND

As per SEBI circular no MIRSD/ SE /Cir-19/2009 dated December 3, 2009 the trading member has to adopt a policy regarding treatment of Inactive/Dormant Client Accounts. Further, the National Stock Exchange of India Limited (NSE) vide circulars no. NSE/INSP/13606 dated Dec 03, 2009, NSE/INSP/14048 dated Feb 03, 2010, and NSE/INSP/43488 dated February 10, 2020 had also issued guidelines and directed members to formulate a policy of treatment of inactive accounts and implement the same.

2. DEFINITION OF INACTIVE (DORMANT) TRADING ACCOUNTS

- 2.1 A trading account refers to such account wherein no trades have been carried out since last 12 (Twelve) months across all Exchanges would be treated as 'Inactive' (Dormant) accounts.
- 2.2 If there is no transaction in the Client's account during the next three financial years, subsequent to the financial year in which the account is made operational or if there is no securities transactions done consecutively for three financial years, such account will be classified as 'permanently inactive'.

3. TRANSACTION IN INACTIVE TRADING ACCOUNTS

- 3.1 The inactive accounts identified based on the above criteria shall be flagged as 'Inactive' by CFS Financial Services Private Limited (the 'Company') in UCC database of all the respective Exchanges. The Company is also required to ensure that any further trading by such client should be allowed only after undertaking sufficient due diligence (including In-Person-Verification (IPV)) and obtaining the updated information related to KYC from the concerned Client. Appropriate disciplinary actions may be initiated in case of any trades are executed in any account flagged as 'Inactive'.
- 3.2 The designated official will upload correct status of the client code in the UCC database of the Exchanges prior to the execution of the trades.

4. CONSEQUENCES OF BECOMING A DORMANT ACCOUNT

- 4.1 In case of Client becomes inactive, the Company would be placing inactive accounts under temporary suspension, to ensure complete security of Client Accounts and Assets. Once the account is under temporary suspension, the client would not be allowed to login to his account or trade (place order) either through online mode or by calling / visiting its branch.



5. IN-PERSON VERIFICATION (IPV) OF CLIENTS AT THE TIME OF REACTIVATION

5.1 As per Exchange guidelines, it is mandatory for every investor to go through the in-person verification (IPV) process while reactivating their accounts. Therefore, clients may please note that any further trading shall be allowed only after 'In-person' verification is completed.

5.2 Procedure to inactivate the client account:-

- i. A list of inactive clients is extracted from the Back Office software where no transactions have been carried out for a period of more than one year by the client.
- ii. The list is shared with the DP department to check whether there exist any holdings of such clients and the official will ensure to change the status of the client from active to inactive and block the inactive clients on the trading terminals and to upload the same to the exchange.
- iii. We ensure whether there exists any ledger balance of such clients. In the case of clients' credit balance, the official of the Company will try to contact the client to check the accuracy of his/her bank account details and only after ensuring the accuracy, the payment will be released. In case the client is not traceable the payment will be kept as unclaimed balance after deducting the AMC for the current period and also retaining the Advance AMC for the next period also.
- iv. The Final list of the inactive client list shall be marked as "inactive" or "dormant" in various front office software of CTCL and IML and back office accounting and DP software.
- v. In case, inactive client desire to trade, the client need to provide all relevant documents as per above given procedure, for up-dation of KYC details, failing which, the account will not be activated.

6. REACTIVATION OF CLIENT ACCOUNTS INCASE OF INACTIVE TRADING ACCOUNT

6.1 The inactive accounts (as referred in Para 2.1) can get reactivated by placing a reactivation request and submitting below mentioned documents:

1. Account Reactivation Form (Dormant Form);
2. Financial Proofs (List of Valid Proof is mentioned below); and
3. Running Account Authorization

6.2 The inactive accounts (as referred in Para 2.2) can get reactivated only if the Client wishes to reestablish the relation with the Company, for which he / she have to open the account afresh by filling up a new KYC form.

6.3 In case the client requires any queries, the Client can also get in touch with our service branches or Centralized Back Office at 0129-4263636 or by sending documents directly to the address mentioned below:



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7. RETURN OF CLIENTS ASSETS

7.1 We ensure that all client accounts are settled on monthly or quarterly basis (as per the client preferences) in the manner prescribed from time to time. In case we are unable to settle the client accounts due to non-availability of client's bank account and demat account details and non-traceability of client: following steps shall be taken:

- i. Open one separate Client Bank/Client collateral Demat account and immediately set aside the funds and securities of these clients in such account.
- ii. Maintain audit trail of UCC wise client funds transferred to/from such bank account and UCC wise / BO ID wise securities transferred to/from such demat account (as the case may be).
- iii. Submit UCC wise/BO ID wise and fund/securities information of such account to the Exchange on quarterly basis. The mechanism and the format of the same will be shared in due course.
- iv. In case of receipt of any claims from such clients, members are advised to settle the accounts immediately and ensure that the payment/delivery is made to the respective clients only.

8. REPORTING OF CLIENT FUNDS & SECURITIES

8.1 As per the NSE circular, henceforth, Members will not be required to upload the details of such inactive clients having NIL balances in their weekly submission of securities holding to the Exchange as prescribed in NSE Circular NSE/INSP/40743 dated April 12, 2019 and NSE/INSP/41711 dated July 25, 2019 and monthly upload of client funds and securities balances to Exchange under Enhanced Supervision prescribed in NSE Circular NSE/INSP/33276 dated September 27, 2016, NSE/ISC/2017/35268 dated July 3, 2017 and NSE/ISC/36817 dated January 24, 2018. However, details of clients having funds or securities balances shall be reported even if their UCC has been flagged as 'Inactive'. We ensure that the client funds and securities balances are reported to the Exchange.

9. FREQUENCY OF CHECKING THE INACTIVE CLIENT'S ACCOUNT STATUS

9.1 We ensure that the status of the client's accounts shall be checked on monthly basis.

REVIEW POLICY

This policy may be reviewed as and when there are any changes introduced by any statutory authority or as and when it is found necessary to change on account of business needs and Risk Management policy. The policy may be reviewed by the Compliance/Director and place the changes in policy before the Board at the meeting first held after such changes are introduced.



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Note:- This is modified as per latest circular issued by NSE having ref no.: NSE/INSP/43488 dated 10th February, 2020, BSE 20200210-47 dated 10th February, 2020 regarding Inactive Trading accounts.