

R.B.JAJU SECURITIES INDIA PVT. Ltd.

3-5-141/3/A/1, Opp.Rukhmini Apartments, Eden Bagh, Ramkote,
Hyderabad-500001, Telangana

POLICY FOR PRE-FUNDED INSTRUMENTS / ELECTRONIC FUND TRANSFERS		
POLICY CREATED BY	OPERATIONAL STAFF	Rajesh
POLICY REVIEWED BY	COMPLIANCE OFFICER	Govind Jaju
PERIODICITY OF POLICY REVIEW	YEARLY	
POLICY LAST REVIEWED ON	16/11/2025	

Objective:

The objective of the policy is to prevent acceptance of third party funds and to prescribe process to deal with instruments issued by third party when received.

Background:

SEBI vide circular no. SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003 has specified that the stock brokers can accept demand drafts from their clients. However, SEBI vide circular no. CIR/MIRSD/03/2011 dated June 9, 2011 and National Stock Exchange vide its circular no. NSE/INSP/18024 dated 09-Jun-11 has advised stock brokers to maintain an audit trail while receiving funds from the clients through Demand Draft (DD)/Pay Order (PO)/Bankers Cheque (BC) since such third party pre-paid instruments do not contain the details like name of the client, bank account number are not mentioned on such instruments. Non maintenance of audit trail may result in flow of third party funds or unidentified money which may result into breach of regulations issued under PMLA and SEBI circulars.

Terms used in this policy:

1. Prefunded Instruments - Referred as Pay order, Demand Draft, banker's cheque etc.
2. Electronic Fund Transfers - Referred as transfer of funds using net banking

Policy:

SEBI vide circular no. SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003 has specified that the stock brokers can accept demand drafts from their clients. However, in accordance with SEBI circular no. CIR/MIRSD/03/2011 dated June 9, 2011, the following needs to be complied:

1. A "Pre-paid instrument received register" with columns for date, name of the client, amount, instrument drawn on (bank name) and such other columns as found necessary shall be maintained. The register may be maintained either in a physical form or in electronic form.

2. Pre-paid instruments of the value of less than Rs 50,000 may be accepted from the client. Whenever such instruments are received, entry into 'Pre-paid instruments Received register' shall be made.

3. If the pre-paid instrument is for value more than Rs 50,000 or If the aggregate value of prefunded instruments is Rs. 50,000/- or more, per day per client is presented for acceptance, such instrument or instruments may be accepted, only if the same is/are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank.

The mode of certification may include the following:

I. Certificate from the issuing bank or its letter head or on a plain paper with the seal of the issuing bank.

II. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.

III. Certified copy of the passbook / bank statement for the account debited to issue the instrument.

IV. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.

4. If a client submits pre-paid instruments at different times during the day, details and certificates as stated above may be collected along with the instrument with which the aggregate value of pre-paid instruments submitted exceeds Rs 50,000 for that date.

5. In case of any receipt of funds by way of Electronic fund transfer, an audit trail to ensure that funds are received from respective client only has to be maintained. Necessary details may be collected from banker at which the amount is received.

6. If the pre-paid instrument is received through post or any other method where client does not directly interface for submission of the instrument and the instrument does not contain the information as required above, the following action may be taken:

- Contact the client immediately and seek information. Not to bank the instrument until the information is given by the client.

- If the pre-paid instrument is bank transfer, contact banker immediately for the details; not utilize the amount so credited until the details are received and not to give credit to the customer until banker gives the details/certification.

7. While giving credit to respective client's ledger, Head office needs to cross check / verify with documents that such instrument is received from respective clients.

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 the policy due to business needs



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/MIRSD/03/2011

June 9, 2011

To

All Recognized Stock Exchanges

Dear Sir/Madam,

Sub: Pre-funded instruments / Electronic fund transfers

1. SEBI vide Circular No. SEBI / MRD / SE / Cir-33 / 2003 / 27 / 08 dated August 27, 2003, while specifying the mode of receipt and payment of funds, has permitted the stock brokers to accept Demand Drafts from their clients.
2. While receiving funds from the clients through pre-funded instruments, such as, Pay Order, Demand Draft, Banker's cheque, etc., it is observed that the stock brokers are unable to maintain an audit trail of the funds so received, as the details of the name of the client and bank account-number are not mentioned on such instruments. This may result in flow of third party funds / unidentified money, which is not in accordance with the provisions of the aforesaid circular and also affects the integrity of the securities market.
3. Therefore, with a view to address the aforesaid concerns, it has been decided in consultation with the major stock exchanges and associations of stock brokers, as under:
 - a. If the aggregate value of pre-funded instruments is ₹ 50,000/- or more, per day per client, the stock brokers may accept the instruments only if the same are accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The mode of certification may include the following:

- i. Certificate from the issuing bank on its letterhead or on a plain paper with the seal of the issuing bank.
 - ii. Certified copy of the requisition slip (portion which is retained by the bank) to issue the instrument.
 - iii. Certified copy of the passbook/bank statement for the account debited to issue the instrument.
 - iv. Authentication of the bank account-number debited and name of the account holder by the issuing bank on the reverse of the instrument.
 - b. Maintain an audit trail of the funds received through electronic fund transfers to ensure that the funds are received from their clients only.
4. Stock Exchanges are advised to :
 - a. issue necessary instructions to bring the provisions of this Circular to the notice of their constituents and also disseminate the same on their websites;
 - b. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above, as deemed necessary;
 - c. communicate to SEBI, the status of the implementation of the provisions of this Circular by June 30, 2011; and
 - d. develop the monitoring mechanism through internal audit and inspections.
5. This Circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and shall come into effect from the date of this Circular.
6. This circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework" and "Circulars".

Yours faithfully,

V S Sundaresan
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