

**NJ INDIA INVEST PRIVATE LIMITED**  
**POLICY ON INACTIVE/DORMANT CLIENT ACCOUNTS**

**1 Background:**

SEBI, Exchanges and Depositories have issued various circulars and guidelines for Stock Brokers/ Depository Participants advising them to frame a policy regarding treatment of Inactive accounts covering aspects of time period, procedure for reactivation of the same, and display the same on their website. This policy is based on SEBI circular no. MIRSD/ SE /Cir-19/2009 dated December 3, 2009 and various circulars and guidelines issued by NSE, BSE CDSL and NSDL on the subject.

**2 Introduction:**

NJ India Invest Private Limited (“**Company**”) is a SEBI Registered Market Intermediary engaged in the business of stock broking and depository participant.

**3 Scope of Policy:**

The Policy is applicable to Stock Broking (“Trading Account”) and Depository Participant Client Accounts (“Demat Account”) of the Company. The scope of this Policy is to formulate clear guidelines for Identification, Suspension and Reactivation of client codes which have been categorized as inactive/ dormant based on the SEBI, Exchange, DP Guidelines.

**4 Applicability:**

This policy is applicable to all Stock Broking and Depository Participant Client accounts of NJ India Invest Private Limited.

**5 Objective of the Policy:**

To put in place guidelines for handling of dormant/inactive accounts in line with the regulatory requirements. Such guidelines include the time period for considering an account as dormant/ inactive, process for reactivation of such accounts etc.

**6 Definitions:**

**Client Activities:** Activity refers to any transaction in the trading and demat account of the client involving buying or selling of securities.

**Inactive Trading Account:** In case of trading account, the term inactive account refers to such account wherein no capital market trades have been carried out since the last 12 (Twelve) months across all Exchanges.

Dormant Demat Account: In case of Demat account, the term dormant account refers to such accounts where no transaction has taken place for a continuous period of 12 (Twelve) months. Further, a credit in the demat account through purchase of securities and voluntary corporate action (such as subscribing to rights issues/ systematic investment plans (SIPs) of mutual funds, etc.) may be considered as a transaction for assessing the dormancy. However, any credit due to involuntary corporate action (such as bonus, split, etc.) may not be considered as a transaction for assessing the dormancy.

#### **7 Flagging an Account as “Inactive/ Freeze/ Dormant Account”:**

Under any of the below circumstances the client accounts shall be flagged as “Inactive/Freeze/Dormant”, relevant changes shall be made in the trading and back-office systems:

- a. For Trading Account: In case no trades with respect to Capital Market have been carried out since the last 12 (Twelve) months across all Exchanges, *the trading account shall be marked as inactive.*
- b. For Trading Account: The Client has voluntarily requested the Company to deactivate the trading account. *The trading account shall be deactivated.*
- c. For Demat Account: The Client has voluntarily requested the Company to Freeze the demat account or ISINs. *The demat account shall be frozen and the trading account will also be deactivated.*
- d. For Demat Account: In case no transaction has taken place since the last 12 (Twelve) months in a demat account, *the demat account shall be marked as dormant.*
- e. For Demat Account: In case the demat account is instructed to be frozen for debit for any regulatory non-compliance, such as 6-KYC attributes compliance, *the demat account shall be frozen and also the trading account will be deactivated.*
- f. In case of any regulatory/statutory order against the client, restraining the client from dealing in the securities market, *the order shall be followed.*

#### **8 Information to be submitted to Regulatory Authorities:**

- a. For Trading Account: Upon flagging the account as inactive, relevant changes shall be made in the UCC databases of the respective Exchanges.
- b. For Demat Account: Identification and flagging of dormant account has been automated and is driven by the Depositories through the DP System.

## **9 Identification and Suspension:**

The process of identifying the “inactive/dormant” accounts based on the above-mentioned criteria shall be run either on a daily/ weekly/ monthly basis post the EOD activities for the day. All accounts identified as “inactive/dormant” shall be flagged as “inactive/dormant” in the trading system, depositories system and back-office system. Intimation in the form of an email/ SMS shall be sent to the concerned client informing the reasons for which account has been marked Inactive/Dormant.

## **10 Procedure of Reactivation:**

### **a) Reactivation of Trading Account within one year of flagging as inactive:**

In case a client seeks re-activation of a trading account within 1 year of being flagged as inactive, the Company shall comply with the process as mentioned in the relevant Exchange Circular while reactivating the client. The Company shall obtain a confirmation on the KYC details of the client i.e. the Address, Mobile number, Email ID, Bank account, etc and update in its records as well in the UCC records of the Exchange, if required. In case of any changes, necessary documents shall be collected under the client’s Aadhaar E-sign along with IPV, if required and relevant logs shall be maintained.

### **b) Reactivation of Trading Account after one year of flagging as inactive:**

In case client wants reactivation of trading account after one year of marking him/her inactive, the Company would be required to:

- i) obtain a written/online request to reactivate account; and
- ii) ensure that the client undergoes the re-KYC process as prescribed in the Exchange Circulars.

Upon verification of the request of activation of account, the person authorised can activate such inactive accounts subject to rules, bye-laws, circulars and guidelines issued by SEBI, Exchanges and Internal Policies.

Further, in the below mentioned conditions, as stipulated in SEBI circular dated 24<sup>th</sup> April 2020 bearing reference number SEBI/HO/MIRSD/DOP/CIR/P/2020/73, the requirement for undertaking an IPV shall not be required:

- Where the KYC of the investor is completed using the Aadhaar authentication / verification of UIDAI.

- When the KYC form has been submitted online, documents have been provided through Digi-locker or any other source which could be verified online.
- Where the KYC of the investor is completed using details and documents available from KRA.

#### **11 Transactions in Inactive Trading Account:**

The inactive accounts identified based on the criteria mentioned in clause 7 above shall be flagged as “Inactive” by the Company in the UCC database of all the respective Exchanges.

- For reasons mentioned in clause 7(a), no further trading by such client shall be allowed unless a due diligence has been carried out by the Company as mentioned in Clause 10 above.
- For reason mentioned in clause 7(f), no further trading shall be allowed, unless the restriction has been lifted by concerned regulatory/statutory authority

Once the account is reactivated, relevant changes shall be made in the UCC databases of the respective Exchanges, before transacting in the “reactivated” accounts.

#### **12 Debit Transactions in Freeze / Dormant Demat Accounts:**

Debit transactions shall be permitted in Freeze/dormant demat accounts only on completion of the following procedure:

- For reason mentioned in 7(c), no further instructions is processed unless client give request in specified format to unfreeze the account or ISIN(s),
- For reason mentioned in clause 7(d), in case of a off-market transaction received, instruction(s) in demat account is processed upon completion of following steps :
  - Independent confirmation shall be obtained from the client through a recorded phone call on the registered mobile number of the BO before processing of the DIS.
  - The DIS received for transaction in dormant account shall in addition to the normal verification process also be authorised by the Compliance Officer or any other designated senior official.
  - The Employee verifying such transaction with the Client shall record the details of the process, date, time etc. of verification on the DIS under his signature.
- For reasons mentioned in clause 7(f), no further Instruction(s) shall be processed, unless the restriction has been lifted by concerned regulatory/statutory authority.

**13 Review of the policy:**

The Board of Directors of the Company shall review the policy atleast once in a year or as and when required.

**- BY MANAGEMENT ORDER**