



DEXIF SECURITY BROKING PRIVATE LIMITED

REFERRAL POLICY

Version History

<i>Version</i>	<i>Date of Approval</i>	<i>Approver</i>	<i>Owner</i>
<i>1.0</i>	<i>04-Dec-2024</i>	<i>Board of Directors</i>	<i>Business / Operations</i>

## Referral Policy

### Preamble and Objective

Dexif Security Broking Private Limited ("**Company**" or "**Dexif**") recognizes that client referrals can be a valuable channel for business growth. This policy outlines the framework for engaging with individuals or entities who refer clients to Dexif, ensuring that such activities are conducted with utmost transparency, ethical standards, and in strict compliance with all applicable regulations issued by the Securities and Exchange Board of India (SEBI), Stock Exchanges (NSE, BSE), Depositories, and any other relevant regulatory authorities, including the SEBI Master Circular for Stock Brokers as amended from time to time, and subsequent guidelines.

The primary objective of this policy is to:

- a) Ensure that all referral arrangements align with SEBI's mandate of investor protection and market integrity.
- b) Prevent any form of inducement, mis-selling, or unauthorized advisory activities.
- c) Define clear roles, responsibilities, and limitations for referrers.
- d) Safeguard client interests, privacy, and confidentiality.
- e) Establish a robust internal control and oversight mechanism for all referral activities.
- f) Ensure full disclosure and transparency to referred clients.
- g) Comply with the evolving regulatory landscape concerning referral programs, specifically acknowledging that a comprehensive framework is currently under deliberation by SEBI and Stock Exchanges.

### 1. Statutory Requirement

While a specific, detailed circular on "Referral Policy" is under review by SEBI and stock exchanges (as indicated by the abeyance of previous directives requiring mandatory Authorised Person registration for all referrers, and ongoing discussions for a new consultation paper), Dexif is committed to adhering to the spirit of investor protection, fair practices, and transparency embedded in all SEBI regulations. This policy incorporates best practices derived from past and existing SEBI/Exchange guidelines on client acquisition, code of conduct, and prevention of fraudulent and unfair trade practices.

### 2. Scope

This policy applies to all employees of Dexif, any third-party individuals or entities engaged for client referral activities (hereinafter referred to as "Referrers"), and all clients referred to Dexif through such arrangements.

### 3. Types of Referrers and Applicable Guidelines

Dexif may engage with the following types of referrers:

#### 4.1. Unregistered Individuals/Entities (Non-Authorised Persons/Non-Registered Intermediaries):

For individuals or entities not registered as an Authorised Person (AP) or any other SEBI registered intermediary (e.g., Investment Adviser, Portfolio Manager), the following strict conditions shall apply:

- a) **Limited Role:** The Referrer's role shall be strictly limited to *referral* of potential clients for opening trading and demat accounts with Dexif.
- b) **No Advisory/Selling Activities:** The Referrer shall **NOT** undertake any form of selling, advisory activities (investment advice, trading advice), or portfolio management activities related to securities in the secondary market. They shall not provide any recommendations, tips, or solicit trades.
- c) **No Inducement:** The Referrer shall **NOT** directly or indirectly induce the referred client to trade or undertake excessive trading. Any compensation paid to the Referrer by Dexif shall **NOT** be linked directly to the brokerage generated by the referred client's trades in a manner that incentivizes excessive trading or trade inducement.
- d) **No Client Fund/Securities Handling:** The Referrer shall **NOT** collect or handle any funds, securities, or documents from the referred client on behalf of Dexif, except for initial documentation required for referral purposes (e.g., contact details with explicit client consent).
- e) **Client Communication:** All formal communications, including but not limited to, client onboarding documents, Know Your Client (KYC) forms, Risk Disclosure Documents (RDD), Member-Client Agreements, contract notes, daily margin statements, statements of accounts, annual global transaction statements, and any other regulatory disclosures, shall be sent directly to the referred client by Dexif and **NOT** through the Referrer.
- f) **Confidentiality:** The Referrer shall strictly maintain the confidentiality of all client information shared with them for referral purposes and shall not disclose it to any unauthorized person.
- g) **No Financial Transaction with Client:** There shall be no financial transaction (e.g., fee collection, sharing of brokerage) between the referred client and the Referrer under the referral arrangement. Any incentives or payments to the Referrer shall be made solely by Dexif.
- h) **No IPV/OSV Conduct:** The Referrer shall not conduct In-Person Verification (IPV) or Online Share Verification (OSV) of clients. These activities shall be performed by authorized personnel of Dexif as per SEBI guidelines.
- i) **Due Diligence on Referrer:** Dexif shall conduct appropriate due diligence on all unregistered Referrers, including background checks, to ensure their suitability and integrity.

**4.2. Registered Intermediaries (e.g., Authorised Persons (APs), SEBI Registered Investment Advisers (IAs), Portfolio Managers (PMs), Mutual Fund Distributors (MFDs)):** For Referrers who are already registered with SEBI or recognized by Stock Exchanges in a specific capacity (e.g., Authorised Persons, IA, PM, MFD), their engagement shall be governed by:

- a) Their respective SEBI/Exchange regulations and circulars applicable to their registration.
- b) A specific, legally binding agreement executed between Dexif and the Registered Intermediary, clearly outlining the scope of engagement, responsibilities, compensation structure, and compliance requirements.
- c) Dexif shall ensure that the activities undertaken by such Registered Intermediaries as Referrers do not conflict with their primary regulatory roles and obligations.

- d) Payments to such Referrers shall be transparent, documented, and in compliance with their respective regulatory frameworks and tax laws.

## **5. Client Onboarding Process for Referred Clients**

All clients referred to Dexif, regardless of the Referrer type, shall undergo the Company's standard and comprehensive client onboarding process, including:

- a) Mandatory KYC (Know Your Client) and Anti-Money Laundering (AML) checks as per SEBI regulations.
- b) Execution of all mandatory agreements, including the Member-Client Agreement, Risk Disclosure Document, and Power of Attorney (if applicable and explicitly opted for by the client).
- c) Explanation of all terms and conditions, risks associated with investing in securities, and rights and obligations of the client through Account Opening Kit.
- d) The decision to open an account and place trades rests solely with the client.

## **6. Disclosure to Clients**

- Dexif shall clearly disclose to every referred client, at the time of account opening, if their account was opened through a referral arrangement and the nature of the relationship between Dexif and the Referrer.
- The referred client shall be made aware that any compensation paid to the Referrer is by Dexif and does not result in any additional cost or charge to the client.

## **7. Compensation Structure**

- a) Dexif's shall restrict itself to the following caps on fee/incentives/payments to be provided to Referrers:
  - i. To Unregistered Parties – One time referral fee of upto 1000 per user/client and follow up incentives on traded volume, which cannot exceed INR 1.5 per security. The exact value shall be determined from case to case basis.
  - ii. To Registered Parties – One time referral fee of upto 1000 per user/client and follow up incentives on traded volume, which cannot exceed INR 1.5 per security. The exact value shall be determined from case to case basis. Additionally, the fee component on shared services shall be split in such ratio as may be mutually agreed in the contract.

**NOTE** – final fee shall not exceed the above specified cap in any case, except with the prior written approval of any 1 director. Incentive payouts shall be in accordance with SEBI guidelines, as may be amended from time to time.

- b) Compensation to Referrers shall be transparent, clearly defined in a written agreement, and not be disproportionate to the services rendered (i.e., referral only).
- c) The compensation mechanism shall be designed to avoid any incentive for trade inducement, churning, or other unfair trade practices.

- d) All payments to Referrers shall be made in a fair and transparent manner, subject to applicable taxation and regulatory reporting.

## **8. Internal Controls and Oversight**

Dexif shall establish robust internal controls and oversight mechanisms for all referral activities, including:

- a) **Agreement Management:** All referral arrangements shall be formalized through written agreements.
- b) **Record Keeping:** Comprehensive records of all referral arrangements, including Referrer details, referral source, client acquisition dates, and compensation paid, shall be maintained for a minimum period as required by SEBI.
- c) **Compliance Monitoring:** The Compliance Department shall periodically review referral activities to ensure adherence to this policy and all regulatory requirements.
- d) **Grievance Redressal:** Dexif shall be solely responsible for addressing any client grievances arising from referral activities. Any dispute related to the referral program or incentive scheme between Dexif and the Referrer shall be solely Dexif's liability.
- e) **Due Diligence & Training:** Adequate due diligence shall be conducted on all Referrers. Relevant staff involved in managing referral programs shall be trained on this policy and associated regulatory requirements.
- f) **IT Systems:** Appropriate IT systems shall be in place to track referrals and ensure compliance with communication and record-keeping requirements.

## **9. Board Review and Amendments**

This Referral Policy shall be reviewed by the Board of Directors of Dexif Security Broking Private Limited once in every 3 years, or more frequently if there are significant changes in business operations or regulatory guidelines related to referral programs. Any amendments to this policy shall be duly approved by the Board. The deviations shall be approved by any 1 director and the department head.

## **10. Consequences of Non-Compliance**

Any non-compliance with this policy, SEBI regulations, or exchange guidelines by a Referrer or Dexif's personnel may lead to:

- Immediate termination of the referral arrangement.
- Legal and regulatory action against the defaulting party.
- Disciplinary action against Dexif's personnel.