



O3 Securities Private Limited (O3 Securities)

Registered Office:

No.5 Crescent Road, High Grounds
Bangalore – 560001, India

Trade Allocation and Execution Policy

Version Control Matrix

Name of the Document	Trade Allocation and Execution Policy
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Version Tracking

Version	Owner of this Manual	Approved by
1.0	Principal Officer and Compliance Officer	Board of Directors

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Applicability

This Policy is applicable to Portfolio Management team and Operations team. All are expected to carefully read the Policy and comply with the requirements at all the times.

Introduction

PMS should render at all times high standards of service and exercise due diligence and ensure proper care in their operations. In furtherance of the above objectives and to protect the interests of investors, certain systems, procedures and practices must be followed by the PMS.

The fundamental objective of the investment team is to ensure that it achieves its investment objectives by complying with all regulations and as mentioned in client agreement.

The PMS has to identify its investments processes, define the control mechanism and identify the process owners and authorities having final responsibility.

Various Investment options available are:

- Discretionary Services
- Non - Discretionary Services
- Investment Advisory Services

1. Regulatory Reference:

SEBI Circular no. SEBI/HO/IMD/IMD-I DOF1/P/CIR/2022/133 dated September 30, 2022.

2. Objectives

The “Investment Process” operations manual aims at:

- Making the operations, a process-driven function rather than a human-driven function,
- Streamlining and simplifying the process,
- Serve as an internal control device by defining process owners and responsibilities of officials and
- Providing a ready-reckoner to the user

3. Investment Committee

The Investment Committee comprises of the Chief Investment Officer, Portfolio Manager(s) and Compliance Officer & COO.

(a) The Committee’s terms of reference include:

- i. Consider and approve any modifications / alterations required to this Policy document.
- ii. Oversee implementation of the investment process for all Products.
- iii. Review the objectives prior to the documents being filed.
- iv. Monitor investment decisions, provide support on regulatory and tax issues.
- v. Review that the Products are being managed in accordance with its set objectives.
- vi. Review Product performance.
- vii. Consider and approve investment policy for each Product as defined in this Policy document.
- viii. Review of profit-and-loss reporting at securities and portfolio levels.
- ix.

4. Fund Management Team & Research

The team comprises of Portfolio Manager(s) and research analysts possessing collectively with them a vast and varied knowledge base relating to financial markets and systems.

- Overall, in-charge of all the designated strategies
- Responsible for the performance of the strategies.
- To ensure that the investments are made as per the investment objective of the strategies and are in complete adherence to SEBI (Portfolio Managers) Rules, 2020.
- Research reports will be in place with respect of all stocks recommended for investment.
- All the stocks so recommended or bought on behalf of clients will be placed and noted in the Investment Committee meetings.
- Proper rationale and reasoning will be documented for investment in stocks which are outside of the PMS strategy's benchmark index stocks.
- The following scenarios will be kept on record and informed to the Investment Committee prior / post depending on the circumstances.
 - a) Specific situations (not generic) wherein the orders are placed for each client individually or pooled from the trading account of Portfolio Manager.
 - b) Scenarios / situations in which deviation from the allotment of securities as intended at the time of placement of order would be permissible, if at all.
 - c) Scenarios, wherein, the Portfolio Manager is required to place certain margins / collaterals to execute certain transactions, details on how such margins / collaterals will be / were segregated / placed from amongst various clients, without affecting the interest of any client.
 - d) Deviations, if any, on account of exigency only and require prior written approval of the Principal Officer and Compliance Officer of the Portfolio Manager with a detailed rationale for such deviation.
- Handle such other activities that are required to be attended to/assigned from time to time with regards to Fund Management with proper documentation.

Regular meetings are held of the Fund management team which discusses any issues, regulatory and other updates having an impact on the fund management activity of the Portfolio Manager.

5. Portfolio Manager

The role of Portfolio Manager –

- handling the day-to-day investment management including dealing.
- ensuring that the objectives of each Product / Strategy / Client are kept foremost whilst taking decisions regarding asset allocation and selection. Careful attention is paid at all times to SEBI and other regulatory guidelines regarding restrictions on investments / investment limits as prescribed from time to time.
- taking help of Fund Management Team meetings in arriving at investment decisions.
- relying on research provided by external agencies that is used to formulate a view on the likely trends and impact on the markets. This is supplemented by in-house research.
- Recording the buy/sell decisions keeping in mind the investment objectives, investment restrictions and the applicable guidelines in excel sheets. These sheets would contain details such as indicative price, reasons for buy/sell etc.
- reviewing the portfolio on a regular basis, in conjunction with the expected cash flows in line with the investment objectives and guidelines.

6. Dealing

- The dealing team acts as a support function to the Fund Management department.
- Handles activity related to order placement and execution.
- Ensures time stamping with respect to order placement, order execution and trade allocation
- The dealing team provides feedback to Fund Managers on market information during and beyond dealing hours.
- Ensure adherence to code of conduct with respect to the Dealing room
- Handles such other activities that are required to be attended to/assigned from time to time by Senior Management with regards to Dealing.

7. Compliance

- The Compliance team informs respective stakeholders about the Regulatory amendments and circulars issued by SEBI from time to time.
- Any change in limits set in the system shall be subject to the approval of the Principal Officer and Compliance Officer.

8. Back-Office (Trades & Settlements)

- Before the start of the day, files received from Custodian for Portfolio positions, saleable stock, AUM, liquidity will be uploaded by the Back-Office team in the system.
- Investment rules/restrictions will be created/updated in line with the regulations issued from time to time and as decided by the management.
- Back-office looks after the activities of User creation, Account creation, creation of Client Master etc.
- Confirmation and reporting of trades executed by the Fund Management team will be done to Custodian and Brokers by the back-office team as per the prescribed process.

9. Investment participation

When Investment participation by Client is in form of security towards initial corpus, the back office shall intimate the Portfolio Managers:

- Based on reports received from the custodian, securities transferred shall be verified for them to be in accordance with the client agreement.
- These securities shall be valued at prevailing market price, where available else, as agreed upon in the client agreement with respect to illiquid/ thinly traded securities and care to be taken to verify that the value of security transferred is more than Rs. 50 lakhs (including cash allocation, if any).

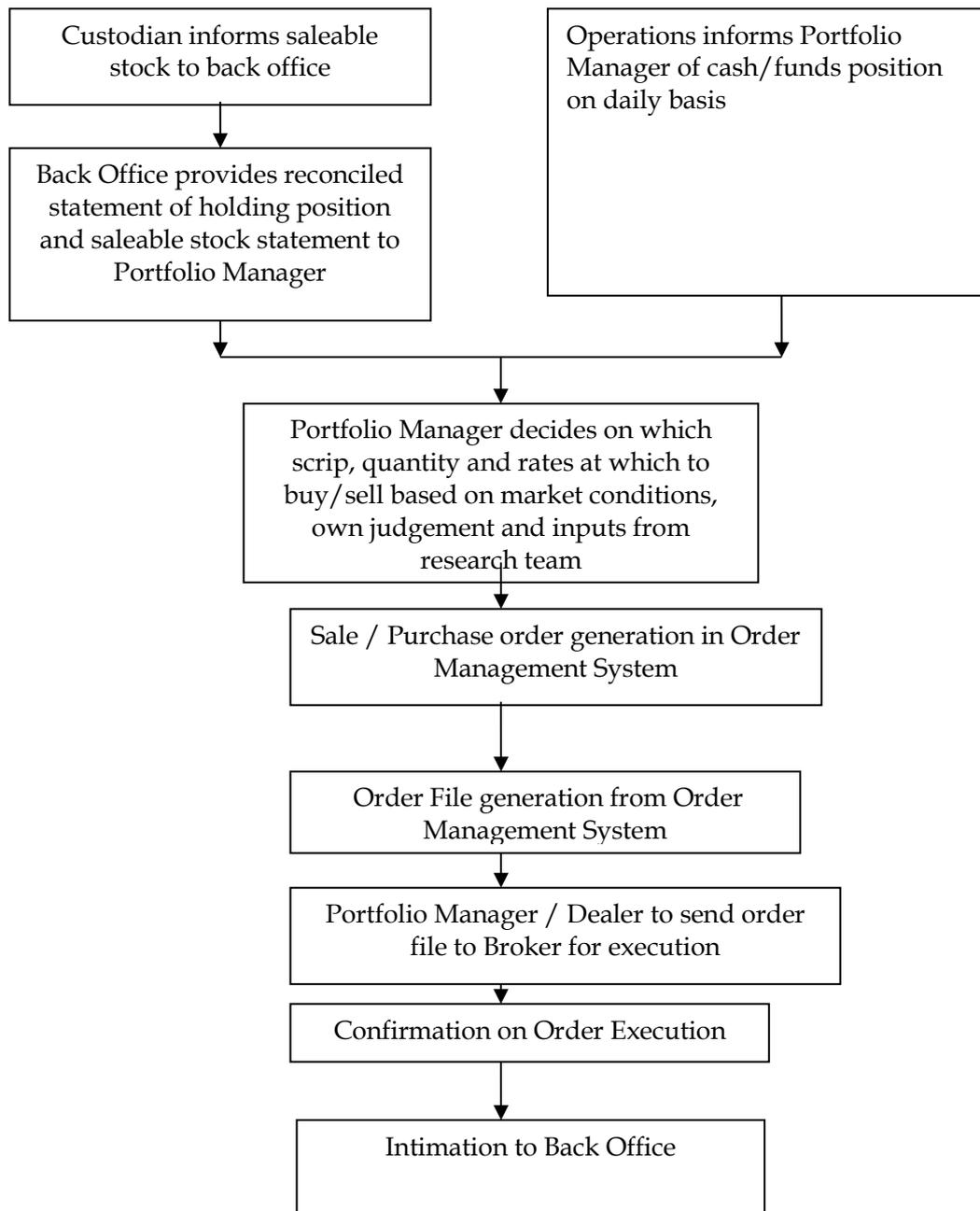
10. Model Portfolio

Based on the Investment strategy and as agreed upon by the Client/Investor in the client agreement the Portfolio Manager shall derive a model portfolio.

Based on the model portfolio the Portfolio Managers shall retain the securities or shall sell the securities in open market, the process for accepting the securities in client's portfolio or for selling the securities shall be carried upon by the back office.

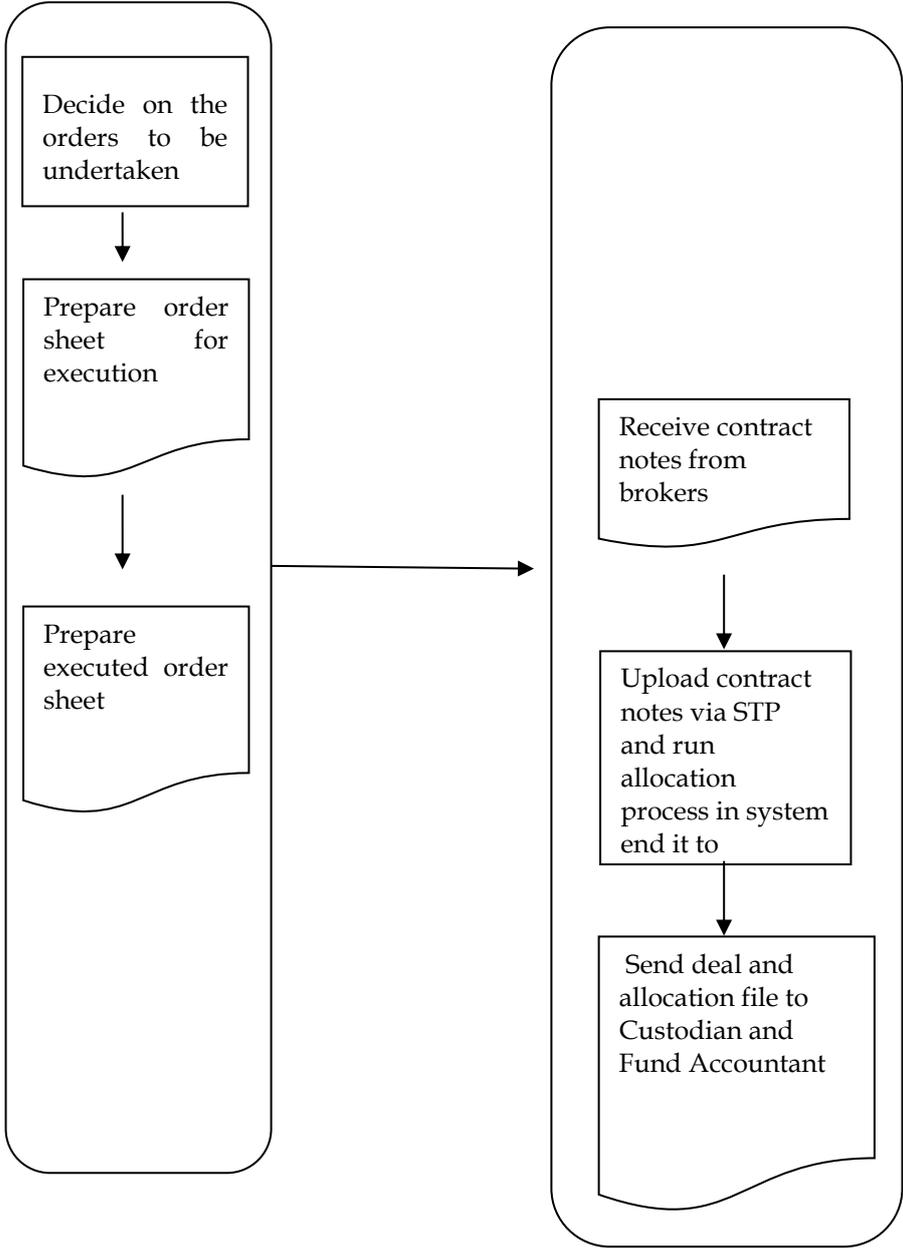
11. Investment process - Equity

Investment Process - an overview



Portfolio Manager

Back Office



Portfolio Managers Role in detailed investment process -

Detailed investment process - Equity

➤ Investment decisions - Portfolio Managers

- Everyday morning the Portfolio Managers shall get the "Holding Statement" detailing the saleable quantity from the custodian.
- Back office shall inform the Portfolio Managers about cash position
- All the Deals will be done through empaneled brokers only and through recognized stock exchanges.
- The Portfolio Managers will distribute the total business amongst a number of empaneled brokers

➤ Prepare order sheet

- Based on investment strategy, the Portfolio Managers shall place an order (either purchase or sale of shares).
- The Portfolio Manager shall before generating any order ensure that the order shall not result into violation of SEBI investment with respect to FII / FPI, SEBI PMS Regulations, SEBI take over regulation restriction, the internal limits of the Company and / or investment restrictions / limits prescribed by the Client as agreed in client agreement. The orders will be generated from the Order Management System which shall carry out a pre-order compliance check on various investment restrictions.
- Orders shall be placed with empaneled brokers with the desired quantity and a price band, if applicable.

➤ Recording of investment decisions:

▪ Purchase from secondary market / Primary Market:

- Portfolio Manager to take investment decisions on the basis of available information from Research team including their Quarterly result updates, publicly available information about the company & industry / sector, information gathered from other analysis reports, meeting with company management, analysts meet, etc.
- While making decision, option/ investor specific factors such as option's/ investors investment objectives, regulatory investment restrictions, liquidity needs, stock sector's existing weightage and overall risk profile are to be kept in mind.
- Rationale for each investment decision will be maintained by the Portfolio Manager.
- In case of primary market purchase -Research report from research analysts is required and if decision taken is against their views, then brief reasons are recorded by the Portfolio Manager.

▪ Sale in secondary market:

- Portfolio Manager to take investment decisions on the basis of available information from Research Team including their Quarterly result updates, publicly available information about the company & industry / sector, information gathered from other analysis reports, meeting with company management, analysts meet, etc.
- While making decisions, investor specific factors such as investors investment objectives, regulatory investment restrictions, liquidity needs, stock sector's existing weightage and overall risk profile are to be kept in mind.
- Rationale for each investment decision will be maintained by the Portfolio Manager.

▪ **Purchase of Unlisted Equity Shares:**

- A proper due-diligence shall be exercised while making any such investments and a complete review of company's operations should be undertaken.
- All such investments shall be made at reasonable valuations.
- A justification note shall be prepared for all such investments and shall be signed by the concerned Research Analyst / Fund Manager or Principal Officer.
- The Investment Committee shall review all such investments periodically and shall report to the Board of Directors in their periodical meetings.
- The total investment in unlisted equity shares or equity-related instruments shall be in line with the SEBI guidelines, if any.

▪ **Sale of unlisted equity shares:**

- Depending on the exposure of the client, a short note or detailed report from the Research Team is required depending on the exposure limits specified in the investment policy.
- While making decisions, investor specific factors such as investors investment objectives, regulatory investment restrictions, liquidity needs, stock sector's existing weightage and overall risk profile are to be kept in mind.
- If decision taken is against the Research Team views, then the Portfolio Manager records divestment argument.

Note: At present, the Portfolio Manager deals only in listed securities.

12. Investment process - Debt

The main segments in the Indian debt market are:

- Government Securities (Dated Securities, TB)
- PSU Bonds (Tax free Bonds)
- Corporate Bonds (Coupon, ZCB, DDB, PN, PTC, FRN)
- Short Term Papers issued by Banks (e.g. Certificate of Deposit)
- Non-securitized transaction based segment (Call, Repo,)
- Securitized paper.
- MIBOR linked Non-Convertible Debt.
- Debt oriented Mutual Funds including liquid funds.

Reserve Bank of India (RBI) regulates the issuance of government securities, and corporate debt securities and Mutual Funds fall under the regulatory purview of SEBI.

At present, the Portfolio Manager invests only in Liquid Funds under the Debt segment.

➤ **Debt Investment - Common Process**

- Every day morning the portfolio managers shall get the "Holding Statement" detailing the saleable quantity and holding position from back office. The Back office receives the saleable quantity statement **for debt** from the custodian.
- Back office team uploads the files of saleable stock and cash balances in the system and informs the portfolio managers about cash/funds position.

- Portfolio Managers may decide on buy/sell, quantity to buy/sell based on the liquidity needs / requirements.
- Portfolio Managers places the order in the market after recording order in the system.

13. Other Significant Compliance Aspects:

- All conversations of the Dealing team shall be only through the dedicated recorded telephone lines or through emails from authorized email ids.
- Personal mobile phones or any other communication devices other than the recorded telephone lines shall not be allowed inside the dealing room. However, Office mobile phones shall be allowed inside the dealing room.
- Dealing team will not have access to their personal mobile phones during dealing /market hours.
- Access to internet facilities on computers and other devices inside the dealing room shall be restricted and shall only be used for activities related to trade execution.
- Entry/access to the dealing room shall be restricted to authorized employees only.
- There shall be no sharing of information through any mode, except for trade execution.
- Audit trail of activities related to order placement, trade execution and allocation shall be available.

14. Key Risk and Control

Risk	Control
Rationale behind investment decisions are not documented	<ul style="list-style-type: none"> • Ensure that the rationale for all investment decisions and recommendations are documented.
Non-discretionary clients orders are not taken correctly	<ul style="list-style-type: none"> • Note orders received on the order sheet as soon as they are received.
Order sheet not completed after execution	<ul style="list-style-type: none"> • Review executed order sheets for completeness and return incomplete order sheets to the dealer
Special instructions are not referred to at the time of allocation of securities	<ul style="list-style-type: none"> • Ensure that the client's specific instructions in terms of his interest in any body corporate etc provided at the time of account opening is captured in the system. .
Allocation is in excess of available bank balances	<ul style="list-style-type: none"> • PMS system has in-built validation of generating orders to the extent of available bank balance only.
Rectified STP trade details are not received/uploaded	<ul style="list-style-type: none"> • Follow up for rectified STP trade details with the related secondary market back office and ensure that contract note data is uploaded into the PMS system.

Capital gain/loss on NRI sale transactions are not reported	<ul style="list-style-type: none"> • The custodian takes care of reporting of all NRI transactions and for the calculation of capital gain / loss.
Securities are not received/short received	<ul style="list-style-type: none"> • Refer to the short delivery report and follow up with the custodian. • Review the reconciliation report sent by custodian to ensure that securities are received on time

15. Functional Authority Matrix for investments

In the following table, process owners are identified for all investments related activities.

Functions \ Authorities	Research Analyst	Portfolio Manager(s) / Dealer	Back Office
Research	✓		
Brokers Empanelment		✓	✓
Confirming salable Security			✓
Confirming available cash balances			✓
Investment restrictions monitoring		✓	✓
Order Generation / Execution		✓	
Deal Confirmation			✓
Settlement			✓ *

* Back Office shall perform these activities in co-ordination with Custodian.

16. Regulatory Requirement

Portfolio Management Service primarily is governed by the client agreement and the type of the service, i.e., Discretionary and Non-Discretionary Service that the client and the Portfolio Manager have agreed upon.

➤ Investment Rules and Regulations

- The money or securities accepted by the portfolio manager shall not be invested or managed by the portfolio manager except in terms of the agreement between the portfolio manager and the client. Any renewal of portfolio fund on maturity of the initial period shall be deemed as a fresh placement.
- The portfolio manager shall invest funds of his clients in money market instruments ("money market instruments" includes commercial paper, trade bill, treasury bills, certificate of deposit and usance bills) or derivatives or as specified in the contract, provided that leveraging of portfolio shall not be permitted in respect of investment in derivatives.
- The portfolio manager shall, ordinarily purchase or sell securities separately for each client. However, in the event of aggregation of purchases or sales for economy of scale, inter-se allocation shall be done on a pro-rata basis and at weighted average price of the day's transactions. The portfolio manager shall not keep any open position in respect of allocation of sales or purchases effected in a day.
- Any transaction of purchase or sale including that between the portfolio manager's own accounts and client's accounts or between two clients' accounts shall be at the prevailing market price.

➤ Investment Restrictions

- The portfolio manager shall not deploy the clients' funds in bill discounting, badla financing or for the purpose of lending or placement with corporate or non- corporate bodies.
- The portfolio manager shall not while dealing with clients' funds indulge in speculative transactions that is, he shall not enter into any transaction for purchase or sale of any security which is periodically or ultimately settled otherwise than by actual delivery or transfer of security except the transactions in derivatives.
- The portfolio manager shall segregate each clients' funds and portfolio of securities and keep them separately from his own funds and securities and be responsible for safekeeping of clients' funds and securities.
- The portfolio manager may hold the securities belonging to the portfolio account in its own name on behalf of its clients only if the contract so provides and in such an event the records of the portfolio manager and its report to the client should clearly indicate that the securities are held by it on behalf of the portfolio account.
- The portfolio manager may, subject to authorization by the client in writing, participate in securities lending.
- That the portfolio manager may manage funds raised or collected or brought from outside India in accordance with SEBI Regulations.

Exceptions

Exceptions in terms of regulatory breaches, if any, about order placement, execution of order, trade allocation amongst various strategies must be informed immediately to Principal Officer and Compliance officer with a detailed rationale for such deviation. Further, all the deviations must be placed before the Investment Committee.

Review

This Policy shall be reviewed atleast annually and updated whenever any material change in order execution process.