

UPMOVE FINANCIAL TECHNOLOGIES SERVICES.

Policy on Outsourcing of Activities by Intermediaries

1. SEBI Regulations for various intermediaries require that they shall render at all times high standards of service and exercise due diligence and ensure proper care in their operations.
2. It has been observed outsourcing with a view to reduce costs, and at times, for strategic reasons.
3. Outsourcing may be defined as the use of one or more than one third party – either within or outside the group - by a registered intermediary to perform the activities associated with services which the intermediary offers.

4. Principles for Outsourcing

The risks associated with outsourcing may be operational risk, reputational risk, legal risk, country risk, strategic risk, exit-strategy risk, counter party risk, concentration and systemic risk.

In order to address the concerns arising from the outsourcing of activities by Intermediaries based on the principles advocated by the IOSCO and the experience of Indian markets, SEBI had prepared a concept paper on outsourcing of activities related to services offered by intermediaries.

Based on the feedback received on the discussion paper and also discussion held with various intermediaries, stock exchanges and depositories, the principles for outsourcing by intermediaries have been framed. These principles shall be followed by all intermediaries registered with SEBI.

5. Activities that shall not be outsourced

The intermediaries desirous of outsourcing their activities shall not, however, outsource their core business activities and compliance functions. A few examples of core business activities may be – execution of orders and monitoring of trading activities of clients in case of stock brokers; dematerialization of securities in case of depository participants; investment related activities in case of Mutual Funds and Portfolio Managers. Regarding

Know Your Client (KYC) requirements, the intermediaries shall comply with the provisions of SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011 and Guidelines issued there under from time to time.

6. Other Obligations

i. **Reporting To Financial Intelligence Unit (FIU) - The UPMOVE FINANCIAL TECHNOLOGIES SERVICES.** shall be responsible for reporting of any suspicious transactions / reports to FIU or any other competent authority in respect of activities carried out by the third parties.

ii. Need for Self Assessment of existing Outsourcing Arrangements

– In view of the changing business activities and complexities of various financial products, **UPMOVE FINANCIAL TECHNOLOGIES SERVICES.** shall conduct a self assessment of their existing outsourcing arrangements within a time bound plan, not later than six months from the date of issuance of this circular and bring them in line with the requirements of the guidelines/principles.

7. 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.

PRINCIPLES FOR OUTSOURCING FOR INTERMEDIARIES

1. The **Board of Upmove Financial Technologies Services.** shall mandate a regular review of outsourcing policy for such activities in the wake of changing business environment. It shall also have overall responsibility for ensuring that all ongoing outsourcing decisions taken by the intermediary and the activities undertaken by the Third-party, are in keeping with its outsourcing policy.
2. Regular reviews by internal or external auditors of the outsourcing policies, risk management system and requirements of the regulator shall be mandated by the Board wherever felt necessary. The **Upmove Financial Technologies Services.** shall review the financial and operational capabilities of the third party in order to assess its ability outsourcing arrangements shall not affect the rights of an investor or client against the intermediary in any manner. The **Upmove Financial Technologies Services.** shall be liable to the investors for the loss incurred by them due to the failure of the third party and also be responsible for redressal of the grievances received from investors arising out of activities rendered by the third party.
3. Outsourcing arrangements shall not affect the rights of an investor or client against the **Upmove Financial Technologies Services.** in any manner. The **Upmove Financial Technologies Services.** shall be liable to the investors for the loss incurred by them due to the failure of the third party and also be responsible for redressal of the grievances received from investors arising out of activities rendered by the third party.