

Outsourcing of Activities Policy

1. Objective

This policy outlines the principles and procedures adopted by Yashwi Securities Pvt Ltd (“Yashwi” or “the Company”) for **outsourcing non-core activities** to third-party vendors, ensuring that such arrangements:

- Comply with SEBI and exchange guidelines
- Do not compromise client confidentiality, risk management, or internal controls
- Are governed by robust contracts and oversight mechanisms

2. Regulatory Framework

This policy is framed in accordance with:

- **SEBI Circular SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2021/123** dated September 24, 2021 – *Guidelines for Outsourcing of Activities by Intermediaries*
- SEBI Master Circular for Stock Brokers (June 2023)
- Relevant clauses under the **SEBI (Stock Brokers) Regulations, 1992**
- Exchange circulars (NSE/BSE/MCX) on third-party risk management

3. Scope of Outsourcing

Outsourcing is permitted only for **non-core, non-critical activities** that do not:

- Involve investment advice or order execution
- Require SEBI registration (e.g., Research Analyst, Investment Adviser)
- Affect client asset safety or confidential data integrity

Permitted Outsourcing May Include:

- IT infrastructure management (cloud services, hosting, cybersecurity)
- Data storage and backup
- Call centre and client support services
- Printing, dispatching and record management
- Software development and maintenance
- Housekeeping and facility management

4. Prohibited Activities from Outsourcing

The following activities **must not be outsourced**:

- Trading operations and execution
- Risk management or order surveillance
- KYC processing and client due diligence
- Client asset handling (funds or securities)
- Regulatory reporting
- Any function requiring SEBI registration

5. Due Diligence of Service Providers

Prior to engaging any third-party vendor, the following due diligence must be completed:

- Background check and experience verification
- Financial and operational capacity assessment
- Regulatory track record (including any SEBI/Exchange violations)
- Security standards and IT infrastructure review
- Signed confidentiality and data protection agreements

6. Key Provisions in Outsourcing Agreements

All outsourcing contracts must include:

- Clear definition of roles and deliverables
- Service Level Agreements (SLAs)
- Data confidentiality and non-disclosure clause
- Right to audit and inspect records by Yashwi or regulators
- Termination clause with notice period
- Liability and indemnity provisions
- Subcontracting restrictions

7. Monitoring & Supervision

- Yashwi shall **retain full control and ownership** of outsourced functions.
- Regular monitoring of vendor performance against SLAs.
- Periodic review meetings and audits.
- Immediate reporting of incidents or service disruptions to the Compliance Officer.

8. Business Continuity and Contingency

- Each outsourced activity must have a documented **Business Continuity Plan (BCP)**.
- Alternate service provider or internal fallback mechanism should be identified.
- Critical systems must have data backup and DR (Disaster Recovery) plans.

9. Client Confidentiality & Data Protection

- Client data shared with vendors must be:
 - **Encrypted** and access-controlled

- Used only for the purpose specified
 - Not disclosed, copied, or stored beyond contract tenure
- All vendors must comply with **IT Act, 2000** and SEBI Cybersecurity Guidelines

10. Audit & Reporting

- All outsourcing arrangements are reviewed annually as part of the **Internal Audit**.
- Records of agreements, reviews, incidents, and vendor performance are maintained.
- SEBI/Exchange may be informed of material outsourcing issues if applicable.

11. Termination or Breach

- In case of breach, negligence, or regulatory non-compliance by the vendor:
 - Immediate suspension of service
 - Legal and financial liability passed to the vendor
 - Client interest and regulatory compliance take precedence

12. Policy Review

This policy shall be reviewed **annually** or earlier upon:

- Changes in SEBI regulations
- Material changes in outsourcing structure
- Significant vendor performance issues

All employees must adhere to this policy and report any known or suspected breaches to the **Compliance Officer** immediately.