

ANTI MONEY LAUNDERING POLICY

The Prevention of Money Laundering act, 2002 has come into effect from 1 July 2005. The relevant Notifications / Rules under the said Act have been published in the Gazette of India on July 1, 2005.

As per the provisions of the Act, every banking company, financial institution and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall have to

- Maintain a record of prescribed transactions
- Furnish information of prescribed transactions to the specified authority
- Verify and maintain records of identity of clients
- Preserve the records for a period of five years from the date of cessation of transactions with clients.

The prescribed transactions include:

- All cash transactions of the value of more than Rs 10 lacs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
- All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as demat account, security account maintained by the registered intermediary. For the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' should also be considered.

Under the said Rules, Securities and Exchange Board of India (SEBI) is to prescribe the procedures and guidelines in respect of intermediaries registered with it. SEBI vide its circulars dated January 18, 2006 and March 20, 2006 has laid down the guidelines to be followed by all intermediaries.

Our company and our subsidiaries are/are being registered with Securities and Exchange Board of India (SEBI) under various Regulations. It is obligatory for us to comply with the Act, Rules and the SEBI guidelines.

Our corporate philosophy is not to get associated in any form with any violations in any Country for any reason whatsoever, including anxiety for Corporate profit or assisting a customer.

Pursuant to the above, the Board of Directors of the company has adopted the policy and procedures under the Prevention of Money Laundering Act, the Rules made thereunder the relevant SEBI directions.

This circular is divided into three parts –

Part A – Important provisions of the Prevention of Money Laundering Act and the Rules

Part B – Important guidelines issued by SEBI and copies of the circulars issued by SEBI.

Part C - Policy and procedures adopted by the Company.

This circular is being sent to all employees through email as also is being hosted in our company portal. It is obligatory for every employee, at all levels, to go through this Circular, understand the provisions, and co-operate in the implementation of the procedures. For any clarifications on this subject, at any point of time, you should contact with the Principal Officer of the company.

PART A – IMPORTANT PROVISIONS OF THE PREVENTION OF MONEY LAUNDERING ACT AND THE RULES MADE THEREUNDER :

Section 3: Offence of Money Laundering: “Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money laundering”.

Section 4: Punishment for Money Laundering: Whoever commits the offence of money laundering shall be punishable with rigorous imprisonment for a term which shall not be less than three years but which may extend to seven years and shall also be liable to fine which may extend to five lakh rupees.

Section 12: Banking companies, Financial Institutions and intermediaries to maintain records: “Every banking company, or financial institution and intermediary shall

- a) maintain a record of all transactions the nature and value of which may be prescribed, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other and where such series of transactions take place within a month.
- b) Furnish information of transactions referred to in clause (a) to the Director within such time as may be prescribed.
- c) Verify and maintain the records of the identity of all its clients, in such a manner as may be prescribed.

Provided that where the principal officer of a banking company or financial institution or intermediary, as the case may be, has reason to believe that a single

transaction or series of transactions integrally connected to each other have been valued below the prescribed value so as to defeat the provisions of this section, such officer shall furnish information in respect of such transactions to the Director within the prescribed time.

The records referred to in sub-section (1) shall be maintained for a period of ten years from the date of cessation of the transactions between the clients and the banking company or financial institutions or intermediary, as the case may be.

Section 13 : Powers of Director to Impose Fine : (1) The Director may either of his own motion, or on an application made by an authority, officer or person call for records referred to in sub-section (1) of Section 12 and may make such inquiry or cause such inquiry to be made, as he thinks fit.

- (2) If the Director, in the course of any inquiry, finds that a banking company, financial institution or any intermediary or any of its officers has failed to comply with the provisions contained in Section 12, then without prejudice to any other action that may be taken under any other provisions of this Act, he may, by an order, levy a fine on such banking company or financial institution or intermediary which shall not be less than ten thousand rupees but may extend to one lakh rupees for each failure.
- (3) The Director shall forward a copy of the order passed under sub section (2) to every banking company, financial institution or intermediary or person who is a party to the proceedings under that sub-section.

RULES MADE UNDER THE PREVENTION OF MONEY LAUNDERING ACT:

(PREVENTION OF MONEY LAUNDERING MAINTENANCE OF RECORDS OF THE NATURE AND VALUE OF TRANSACTIONS, THE PROCEDURE AND MANNER OF MAINTAINING AND TIME OF FURNISHING INFORMATION AND VERIFICATION AND MAINTENANCE OF RECORDS OF THE IDENTITY OF THE CLIENTS OF THE BANKING COMPANIES, FINANCIAL INSTITUTIONS AND INTERMEDIARIES) RULES, 2004. NOTIFIED ON 1-7-2005.

Definitions :

Client : Client means a person that engages in a financial transaction or activity with a banking company, or financial institution or intermediary and includes a person on whose behalf the person that engages in the transaction or activity, is acting.

“officially valid document” means the passport, the driving license, the Permanent Account Number (PAN) card, the Voter’s identify card issued by the Election Commission of India or any other document as may be required by the banking company, or financial institution or intermediary”.

“Suspicious transaction “ : means a transaction whether or not made in cash which, to a person acting in good faith

- i) gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- ii) appears to be made in circumstances of unusual or unjustified complexity, or
- iii) appears to have no economic rational or bonafide purpose.

A list of circumstances which may be in the nature of “suspicious transaction” is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend on the background, details of the transactions and other facts and circumstances:

- a) Clients whose identity verification seems difficult or clients that appear not to cooperate.
- b) Where the sources of funds are not clear or not keeping with clients’ apparent standing/business activity.
- c) Clients based in high risk jurisdictions.
- d) Clients transferring huge amount of money to or from overseas locations with instruction for payment in cash
- e) Attempted transfer of investment proceeds to unrelated third parties.
- f) Client based in high risk jurisdictions.
- g) Unusual transactions or transfer of funds by Client of Special Category and businesses undertaken by offshore banks/financial services, business reported to be in the nature of export-import of small items.

Rule 3 : Maintenance of records : (1) Every banking company or financial institution or intermediary, as the case may be, shall maintain a record of ;

- All cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been individually valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
- All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transaction.
- All suspicious transactions, whether or not made in cash and by way of
- a) deposits and credits withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of
- b) cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instruments of payment of money including electronic receipts or credits and electronic payments or debits or
- e) any other mode in whatsoever name it is referred to;

2) credits or debits into or from any non-monetary accounts such as demat accounts,

security account in any currency maintained by the banking company, financial institution and intermediary, as the case may be;

3) money transfer or remittances in favour of own clients or non clients from India or abroad and to third party beneficiaries in India or abroad including transactions on its own account in any currency by way of the following – pay orders or cashier cheques, demand drafts, telegraphic or wire transfer of electronic remittances or transfer or interest transfers or automated clearing house remittances or lock box driven transfers or remittances or remittances for credit or loading to electronic cards or any other mode or money transfer by whatsoever name it is called.

Rule 4 Records containing information :

The records referred above shall contain the following information ;

- a) the nature of transactions
- b) the amount of the transaction and the currency in which it was denominated
- c) the date on which the transaction was conducted and
- d) the parties to the transaction.

Rule 5 : Procedure and manner of maintaining information :

- 1) Every banking company, financial institution and intermediary as the case may be shall maintain information in respect of transactions with its client referred to in rule 3 in hard and soft copies in accordance with the procedure and manner as may be specified by the RBI or the SEBI as the case may be from time to time.
- 2) Every banking company, financial institution and intermediary shall evolve an internal mechanism for maintaining such information in such form and at such interval as may be specified by the RBI or the SEBI as the case may be, from time to time
- 3) It shall be the duty of every banking company, financial institution and intermediary as the case may be to observe the procedure and manner of maintaining information as specified by the RBI or the SEBI as the case may be under sub-rule (1).

Rule 6: Retention of records :

- a) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules under PMLA, SEBI and other legislations, Regulations or exchange by-laws or circulars.
- b) All necessary documents shall be maintained and preserved the records of documents evidencing the identity of the client and beneficial owners (e.g. copies or records of official identification documents like Pan Card, Identity Card, Driving Licenses, Passport, Aadhar Card or similar documents) as well as account

files and business correspondence for a period of five years after the business relationship between the client and the company has ended or the account has been settled/closed whichever is earlier.

Rule 9: Verification of the records of the identity of clients :

- (1) Every banking company, financial institution and intermediary as the case may be shall at the time of opening of client or executing any transaction with it, verify and maintain the record of identity and current address, or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status:

Provided that where it is not possible to verify the identity of the client at the time of opening an account or executing any transaction, the banking company, financial institution and intermediary as the case may be shall verify the identity of the client within a reasonable time after the account has been opened or the transaction has been executed;

- (2) Where the client is an individual, he shall for the purpose of sub rule (1) submit to the banking company or the financial institution or the intermediary as the case may be, one certified copy of an officially valid document containing details of his permanent address or addresses, current address or addresses, and one copy of his recent photograph and such other documents including in respect of the nature of business and financial status of the client as may be required by the banking company or the financial institution or the intermediary as the case may be.
- (3) Where the client is a company, it shall for the purposes of sub rule (1) submit to the banking company or the financial institution or the intermediary as the case may be, three certified copies of the following documents;
- i) certificate of incorporation
 - ii) Memorandum and Articles of Association
 - iii) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf, and
 - iv) An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.
- (4) Where the client is a partnership firm, it shall for the purposes of sub rule (1) submit to the banking company or the financial institution or the intermediary as the case may be, three certified copies of the following documents
- i) registration certificate
 - ii) partnership deed and
 - iii) an officially valid document in respect of the person holding an attorney to transact on its behalf.
- (5) where the client is a trust it shall for the purpose of sub-rule(1) submit to the banking company, or the financial institution or the intermediary, three certified

copies of the following documents ;

- i) registration certificate
 - ii) trust deed and
 - iii) an officially valid document in respect of the person holding an attorney to transact on its behalf.
- (6) Every Banking company, financial institution and intermediary as the case may be shall formulate and implement a client identification programme, which shall incorporate the requirements of the foregoing sub rules of this rule, and such other additional requirements that it considers appropriate to enable it to determine the true identify of its clients. A copy of the client identification programme shall be forwarded to the Director.

Rule 10 – Maintenance of records of the identity of clients :

- (1) Every Banking company, financial institution and intermediary as the case may be shall maintain the records of the identity of its clients.
- (2) The records of the identify of clients shall be maintained in hard and soft copies in a manner as may be specified by the RBI from time to time.
- (3) The records of the identify of clients shall be maintained for a period of ten years from the date of cessation of the transaction between the client and the banking company or financial institution or intermediary as the case may be.

PART : B: IMPORTANT GUIDELINES ISSUED BY SEBI

- ***Guiding Principles*** : The Guidelines lay down the minimum requirements/disclosures to be made in respect of clients. The intermediaries may, according to their requirements specify additional disclosures to be made by clients to address concerns of Money laundering and suspicious transactions undertaken by clients.
- Each intermediary should consider carefully the specific nature of its business, organizational structure, type of customer and transaction etc. to satisfy itself that the measures taken by them are adequate and appropriate to follow the spirit of the suggested measures and the requirements as laid down in the Act.
- **Obligation to establish policies and procedures** : Senior management of a registered intermediary should be fully committed to establishing appropriate policies and procedures for the prevention of money laundering and terrorist financing and ensuring their effectiveness and compliance with the relevant legal and regulatory requirements.
- The registered intermediaries should ;
 - Issue a statement of policies and procedures, on a group basis where applicable, for dealing with money laundering and terrorist financing
 - Ensure that the content of these guidelines are understood by all staff members

- Regularly review the policies and procedures on prevention of money laundering and terrorist financing to ensure their effectiveness.
 - Adopt customer acceptance policies and procedures which are sensitive to the risk of money laundering and terrorist financing.
 - Undertake customer due diligence measures to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship/or transaction and
 - Develop staff member's awareness and vigilance to guard against money laundering and terrorist financing.
- Written Anti money laundering procedures : Each intermediary should adopt written procedures to implement the anti money laundering provisions. Such procedures should include client due diligence process covering policy for acceptance of clients, procedures for identifying the clients, transaction monitoring and reporting especially suspicious transactions reporting;
 - Please also refer to the detailed guidelines given in the enclosed circulars of SEBI.

PART C : POLICIES AND PROCEDURES ADOPTED BY THE COMPANY

1) Policy Statement : Our corporate philosophy is not to get associated in any form with any violations in any Country for any reason whatsoever, including anxiety for Corporate profit or assisting a customer.

2)Policy objectives

- To prevent criminal elements from using our business for money laundering activities
- To understand the customers and their financial dealings better, which in turn would help us to manage the risk prudently
- To put in place appropriate controls for detection and reporting suspicious transactions in accordance with applicable laws/ laid down procedures
- To comply with applicable laws and regulatory guidelines.

3)Scope: These policies and procedures apply to all employees of Peerless Securities Ltd and all its subsidiaries and is to be read in conjunction with the existing guidelines. The following procedures have been established to ensure that all employees know the identity of their customers and take appropriate steps to combat money laundering.

4)Key Elements of the Policy:

4.1 No cash transactions : The company and its subsidiary companies will not enter into any cash transactions with trading clients for any reason whatsoever.

4.2 Customer Due Diligence process :

4.2.1. Principles to be followed:

- 4.2.1.1. Obtain sufficient information to identify persons who beneficially own or control securities accounts. Wherever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should be identified using client identification and verification procedures. The beneficial owner is the natural person or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- 4.2.1.2. Verify the customer's identity using reliable, independent source documents, data or information.
- 4.2.1.3. identify beneficial ownership and control, i.e, determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted-

Client other than individuals or trusts: Where the client is a person other than an individual or trust, e.g. company, partnership or unincorporated association/body of individuals, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

The identity of the natural person, who whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest means ownership of more than 25% of shares or capital or profit of the juridical person where the juridical person is a company. More than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or More than 15% of the property or capital or profits of juridical person, where the juridical person is an unincorporated association or body of individuals.

In case where there exists doubts on the above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interest, the identity of the natural person exercising control through other means can be exercised through voting rights, agreement, arrangement or in any other manner. Where no natural person is identified as mentioned above, the identity of the relevant natural person is who holds the position of Senior Managing Official.

Client which is a trust: If the client is a trust, shall have to identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or

ownership.

Exemption in case of listed companies: If the client or the owner of the controlling interest is a listed company on a stock exchange, or is a majority owned subsidiary of such a company, it is not necessary to verify the identity of any shareholder or beneficial owner of such companies.

Foreign Investor: If the client is a foreign investor, guidance should be followed as per the SEBI Circular No: CIR/MIRSD/11/2012 dated: 5th September, 2012 & CIR/MIRSD/07/2013 dated: 12th September, 2013 for the purpose of identification of Beneficial Ownership.

- 4.2.1.4. Verify the identity of the beneficial owner of the client and /or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to above mentioned point.
- 4.2.1.5. Conduct on-going due diligence and scrutiny to ensure that the transactions being conducted are consistent with our knowledge of the customer, his business/risk profile, taking into account where necessary, the customer's source of funds.
- 4.2.1.6. The company shall periodically update all documents, data or information of all clients and beneficial owners collect under the Client Due Diligence process.

4.2.2. Customer Acceptance Policy:

- 4.2.2.1 All Groups have to ensure that the existing guidelines regarding Customer/business acceptance is strictly followed. Existing /past relationship with the client should be verified and ensured that the client is not on the negative list/defaulters list.
- 4.2.2.2 A detailed search to be carried out to find that the Client is not in defaulters/negative list of regulators. (Search should invariably be carried out on SEBI website www.sebi.gov.in and Ministry of Company Affairs sponsored website [www. watchoutinvestors.com](http://www.watchoutinvestors.com) & *world- check.com*, *UNO web site*).
- 4.2.2.3 In case of corporate, the antecedents of the company (change of name and registered office in particular) and of all promoters and directors is to be traced.
- 4.2.2.4 An opinion report must be obtained from the bankers/institutions financing the client more than Rs. 1 Crore.
- 4.2.2.5 In case of individuals they are to be classified into different categories of risk depending on the volume of ¹⁰ transactions, trading turnover, manner of payment

etc. High Net worth Individuals, Trusts, Charities, NGO, companies with close family shareholding, Politically Exposed Persons, non face to face customers, clients with dubious reputation, clients in high risk countries, etc constitute High Risk Category. In case of High risk category due care and caution should be exercised at the acceptance stage itself. The profile of Clients has to be updated regularly.

4.2.2.6 An assessment should be made of the financial worthiness of the client by obtaining appropriate declarations at KYC stage. This information should be subsequently used for monitoring whether the transactions of the clients are within the declared means and if the value of the transactions is increasing the client should be asked to disclose the increasing sources.

4.2.2.7 A thorough assessment should be carried out to ascertain whether the client is dealing with us on his own behalf or someone else is the beneficial owner. The circumstances under which the client is permitted to act on behalf of another person/ entity shall be clearly laid down. It shall be specified, in what manner the account shall be operated, transaction limits for the operation, Adequate verification of the Authorised Representative who is acting on behalf of the client should be verified properly. This will be particularly relevant in broking and Demat accounts. (For example while Mr. A may be our client as per the documents, Mr. B may be giving instructions all the time). If there are doubts, before acceptance of the clients, thorough due diligence should be carried out to establish the genuineness of the claims of the clients. Secrecy laws shall not be allowed as a reason to disclose true identify of the beneficiary/transacting party.

4.2.2.8 No account should be opened in a fictitious name/benami name or on an anonymous basis.

4.2.2.9 No client should be accepted where it is not possible to ascertain the identity of the client, or the information provided is suspected to be non-genuine, or if there is perceived non-cooperation of the client in providing full and complete information. The company will not continue to do business with such a person and file a suspicious report. It shall also evaluate whether there is a suspicious trading in determining whether to freeze or close the account. The company shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the company shall consult with the relevant authority in determining what action should be taken when it suspect suspicious trading.

4.2.2.10 In the case of Clients who want to act through agent under Power of Attorney, a notarized power of attorney should be obtained. Original of the POA should be verified. Care should be taken to ensure genuineness of the client

4.2.2.11 While accepting FIIs/sub accounts as clients, reports in market/public knowledge regarding their investment behaviour (for e.g. whether they allow their investment vehicle to be used by others; whether they issue underlying participatory notes) should also be considered.

4.2.2.12 Know Your Client forms prescribed by SEBI/stock exchanges/Depositories, duly signed by the client should be obtained before acceptance of the clients.

4.2.2.13 Necessary checks and balance to be put into place before opening an account as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, in terms of criminal or civil proceedings by any enforcement agency worldwide. Govt of India and SEBI circulate the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions (<http://www.un.org/sc/committees/1267/aq-sanctions-list.shtml>) and /or (<http://www.un.org/sc/committees/1988/list.shtml>)

4.2.2.13 Risk Catagorisation : All clients are classified in three categories : High , Medium & Low

Low Categories

Clients who are the member of our group companies , its directors and their relations, its employees & their relations, Auditors & their relations or such companies who are directly or indirectly dependant on us in a major way.

High risk Categories : *The clients who are high Net worth Individuals(Portfolio value more than Rs. 50 lacs and do not belong to the Low Risk Categories), client of special category.*

The balance of group clients is considered as Medium Risk Category of clients.

Clients of special category: Such clients shall include the following:

- a) Non-resident clients
- b) High net worth clients
- c) Trust, Charities, Non-Governmental Organizations (NGO) and organizations receiving donations.
- d) Political Exposed Person (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Head of states or of Governments, Politicians, Senior Government/Judicial/military officers, Senior executives of state-owned corporations, important political party officials etc.
- e) Companies having close family shareholdings or beneficial ownership.
- f) Clients from high risk countries where existence of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics

- production, countries where corruption is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the followings:
- sponsors of international terrorism
 - offshore financial centre
 - countries where fraud is highly prevalent
- g) Non face to face client
- h) Clients with dubious reputation as per public information available.

4.3 Customer Identification Policy:

At the time of establishing the relationship

- 4.3.1 Before opening the accounts (Trading or Demat) , there should have to be a personal interaction with the client *to know the purpose of the intended nature of the relationship* except in the case of NRIs where the power of attorney holder is the Authorised dealer Bank.
- 4.3.2 Before opening the accounts in case of companies any one of the following viz main promoter/Managing Director/whole time director/key management person and in the case of partnership any one of the active partners should be met in person.
- 4.3.3 Caution is to be exercised when identifying companies which appear to be ‘shell companies’ or ‘front companies’. Shell/front companies are legal entities which have no business substance in their own right but through which financial transactions may be conducted.
- 4.3.4 In case of clients acting through Power of Attorneys the Principal and agent should come in person for the first time, except where the client is a NRI and the designated branch of the Authorised Dealer Bank is holding the power of attorney. Photos of both to be obtained along with signatures on the photos. The KYC Form, Member Constituent Agreement and the Risk Disclosure Document must compulsorily be signed by the Client himself and not by the POA holder except in the case of NRI clients if the POA holder is the designated branch of the authorized dealer..
- 4.3.5 Original of un-expired Photo identity of individual/promoter/director to be verified by our official for identifying the client. Signature of the persons should be obtained on the photos. Photocopy of the proof should be taken by our official who should also certify thereon about having verified with the unexpired original.
- 4.3.6 In case of individuals proof of Identify (as prescribed by SEBI) should be established by way of any of the following documents; (un-expired original document shall be verified)

- PAN Card
- Passport
- Voter ID
- Driving license.
- Aadhaar Card
- Photo Identify card issued by Employer registered under MAPIN

Photo copy of the proof should be taken by our official who should also certify thereon about having verified with the unexpired original.

4.3.7 Proof of address: Any of the following address proof to be obtained (un-expired Original should be verified)

- Passport
- Voter ID
- Driving license
- Bank pass book/ Statement (not more than six month old)
- Ration card
- Latest Landline Telephone bill (not three months old)
- Latest Electricity Bill (not three months old)
- Aadhaar Card

Photo copy of the proof should be taken by our official who should also certify thereon about having verified with the unexpired original.

4.3.8. In the case of joint account, the above procedure should be carried out for all the persons who hold the joint account.

4.3.9. Where the client is a company, certified copies of the following documents shall be obtained

- a) certificate of incorporation
- b) Memorandum and Articles of Association
- c) Copy of resolution from the Board of Directors approving persons in transactions

In addition to that, in case of trading relationship, the following documents are required as per SEBI's circular

- d) Copies of the balance sheet for the last 2 financial years (Copies of annual balance sheet to be submitted every year)
- e) Copies of latest shareholding pattern, including list of all those holding more than 5% in the share capital of the company, duly certified by the company secretary/whole time director/MD (copy of updated shareholding pattern to be submitted every year)
- f) Copy of resolution from the Board of Directors approving participation

in equity /derivatives/debt trading and naming authorized persons for dealing in securities and power of attorney granted to its managers, officers or employees to transact on its behalf, and

- g) Photographs of whole time directors, individual promoters holding 5% or more, either directly or indirectly in the shareholding of the company and of persons authorized to deal in securities. Identification documents (identity and personal address) for the above as applicable to individuals in respect of managers, officers or employees holding an attorney to transact on its behalf.

4.3.10 Care should be taken if the persons mentioned in the Memorandum and Articles of Association as promoters/first directors are different from the current promoters/directors. If the name/address of registered office has been changed, reasonable enquiries should be made.

4.3.11 Proof of address of the registered office of the company, being one of the relevant documents as in the case of individuals should also be taken -

4.3.12 Where the client is a partnership firm, three certified copies of the following documents

- a) registration certificate
- b) partnership deed and
- c) Identification documents (identity and personal address) for the above as applicable to individuals in respect of partners, managers, officers or employees holding an attorney to transact on its behalf.
- d) Proof address of the firm on the basis of relevant documents as applicable to individuals.

4.3.13 Where the client is a trust three certified copies of the following documents ;

- i) registration certificate
- ii) trust deed and
- iii) proof of identity and address of the trustees as applicable to the individuals.
- iv) List of the coparsoners

4.3.14. In the case of broking transactions, care should be taken to ensure that the orders are placed by the client and not by others on behalf of the client. If the client proposes to authorize another person to place orders on his behalf, an Authority letter in favour of the authorized representative should be provided well in advance with the ID proof or Pan Card of the authorized representative. Periodical statement of accounts should be sent to the client (and not power of attorney holder) at his address mentioning that if he does not respond within 30 days of date of receipt of the letter, the contents shall be taken as approved.

At the time of initiate the relationship

4.3.15 After opening broking/DP accounts, a letter of thanks should be sent to the registered e-Mail id of the client. This will serve the dual purpose of thanking them for opening the account and for verification of genuineness of e-mail ID provided by the account holder.

4.3.16. Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority for further advice.

4.3.17. In case when the company has doubts regarding the veracity or the adequacy of previously obtained client identification data, it may take suitable actions like interacting with the client through telephone, sending correspondence at his permanent address, collecting additional documents or personally meet with the client(s)

Monitoring of transactions

5.1. Special attention requires to all complex unusually large transactions/ patterns which appear to have no economic purpose. The background of such transactions including all documentation and purpose of such transactions should be examined properly and shall be recorded. These records should be maintained and preserved for a period of five years from the date of transaction. If this transaction comes under judiciary, it should be kept till the verdict comes.

5.2. The transactions of a suspicious nature are to be reported to the Principal Officer. The suspicious transactions should also be reported to the higher management of the company by the Principal Officer.

5.3. For identifying the suspicious transactions, the followings illustrative questions may be considered.

- Is the customer willing to accept uneconomic terms without apparent reason?
 - Is the transaction inconsistent with legitimate business activity?
 - Is the transaction inconsistent with the normal pattern of the customer's investment activity?
 - Is the transaction inconsistent with the customer's account-opening documents?
 - Has the customer requested that the transaction be cleared in a way that is inconsistent with normal practice?
 - Is the client financially capable of the transactions he has asked for.
 - Is the fund deployed by the client is illegitimate with the Income range declared by the client in accordance to the documents provided.

5.4. All the client accounts to be monitored atleast once in a calendar quarter and any exceptions need to be reported to the management and compliance department.

5.4 Caution should be exercised if broking/DP accounts have been in-operative for more than 3 months and activity resumes thereafter.

5.5 Care should also be taken if the clients make high value payments (Rs. 10 lakhs and above) from bank accounts not declared to us in the KYC forms, or when they make payments through Demand Drafts and not cheques drawn on their declared bank accounts. The details of such transactions should be noted in a separate register.

5.6 Caution should be exercised if there are any high quantify/value off-market transactions in DP accounts. Caution should also be exercised if large credits in a broking account are advised to be transferred to any broking account with us.

5.7 The Company shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the intermediary.

5.8 The Principal Officer shall undertake random checks as to the nature of the transactions and if they are suspicious transactions and take necessary action subsequently.

6. Maintenance of records

6.1 All records including customer identification, account files and business correspondence to be maintained in hard and soft form for a period of ~~ten~~ five years (as approved by Board of Directors meeting dated 22.05.2014)

6.2 In the case of transactions where any investigations by any authority has been commenced and in the case of transactions which have been the subject of suspicious transaction reporting all the records shall be maintained till the authority informs of closure of the case.

7. Hiring of Employees

There is proper system of screening procedures to ensure high standards when employees are hired for the position vacant with the organization like taking three reference (one should come from last employer) release letter/accepted resignation letter, PAN card, address proof etc. . Especially the employees in the category of senior executive level is selected who are highly competent to ensure and comply the provisions of PMLA Act, 2002 and rules made there under in true sense. Further system of obtaining a formal report from a specialized HR agency reporting the past background is checked, if necessary.

8. Appointment of Principal Officer

The company has designated the Employee duly approved by Board of Directors as the Principal Officer who shall be responsible for implementation and compliance of this policy. His illustrative duties will be as follows:

- Monitoring the implementation of Anti Money Laundering Policy
- Reporting of transactions and sharing of information as required under the law
- Liasoning with law enforcement agencies
- Ensuring submission of periodical reports to Top Management. The monthly compliance report shall henceforth mention if any suspicious transactions are being looked into by the respective business groups and if any reporting is to be made to the authorities.
- Providing clarifications to staff members on the provisions of the Act, Rules, **Guidelines and the policy of the company.**

8A. Designated Director

The Board of Directors appointed Whole Time Director, as Designated Director as per Rule 2 (ba) of the PML Rules who will be responsible of all AML/CFT obligations of the Company (As per resolution passed in the Board of Directors meeting dated 22..05.2014)

9. Staff Awareness and Training :

Training requirements shall have specific focuses for frontline staff, back office staff, risk management staff and staff dealing with clients. This training provides the information regarding risk involved while dealing with clients for investments in securities/financial markets. Staff should keep abreast of the practices to identify suspicious transactions and on the procedure to be adopted when a transaction is deemed to be suspicious. In short, employees must familiarize themselves with their customers' normal trading activities and usual market practices in order to recognize anomalous behavior. Suspicions concerning the source of assets or the nature of a transaction may not be ignored. It is the active responsibility of every person at the company to seek to ensure that the firm's facilities are not being misused. Staff should also not disclose to the customer concerned nor to other third persons that their transaction is deemed suspicious or if information may be transmitted to the authorities. Also to mitigate the risk of money laundering, company conducts AML Training programs for 1-2 times on quarterly basis

10. Investor Education

To implement AML/CFT provisions in true sense there is need to get certain information from investors which may be of personal nature or which has hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. To satisfy the investors on these aspects so that they can easily provide the information to us we have made them aware of

PMLA provisions by way of Client Meet by us for all the investors. Also to strengthen the process all the clients are called in their registered mobile number to verify the declared Income Details in adherence with the documents provided. Also in case of any discrimination found in the trading obligation/fund deployed to be highlighted to the client for updation of income range supported by requisite documents.

11.Furnishing of reports

1. The prevention of Money Laundering Act (PMLA) and the rules there under require every reporting entity (Banking company, Financial Institution and Intermediaries) is required to furnish various reports including Cash Transaction Reports (CTRs), Suspicion Transaction Reports (STRs), Counterfeit Currency Reports (CCRs), Non Profit Transaction Reports (NTRs) etc to FIU-IND.
2. Reporting entities are required to submit reports online through FINnet gateway portal using reports generation utility and report validation utility. Though many reporting entities are still submitting reports (i.e by sending on CD or paper based reports using editable PDF forms). It may please be noted that reports submitted through FINnet gateway portal are valid submission and reports in any other form are to be treated as non submission.
3. In summary, the following may be noted :
 - All reports should be submitted ONLINE only.
 - Filing OFFLINE reports (i.e by sending on CD or paper based reports) Will not be entertained.
 - Online reports are to be submitted with Digital Signature.
 - No need to send hard copy/print out of Reports Uploading Certificates (RUC)
 - "NIL" STR/CTR/NTR is to be filed only in case of banking companies through FINgate only.

13.Risk Assessment

- The Company carries out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various

United Nations' Security Council Resolutions, these can be accessed at:

1. http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml
 2. <http://www.un.org/sc/committees/1988/list.shtml>.
- The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment shall be documented, updated regularly and made available to competent authorities and self regulating bodies, as and when required.