

Sr. No.	Version No.	Policy Made on	Policy Review on	Name of Maker	Name of Reviewer
1.	1.9	16-12-2023	19-12-23	Mr. Sandeep Bavishi (Principal Officer)	Hemal Jhaveri (Director)

Procedures with respect to implementation of Anti Money Laundering Measures under the Prevention of Money Laundering Act, 2002.

➤ **Objective:**

The objective of these measures is to discourage and identify any money laundering or terrorist financing activities. These measures are intended to place a system for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities.

The Company Shall :-

- Issue a statement of policies and procedures, on a group basis where applicable, for dealing with Money Laundering (ML) and Terrorist Funding (TF) reflecting the current statutory and regulatory requirements.
- Ensure that the content of these Directives is understood by all staff members.
- Regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures.
- Adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF.
- Undertake client due diligence ("CDD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction.
- Have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- Develop staff members' awareness and vigilance to guard against ML and TF.

➤ **References of circulars:**

Sr. No.	Circular Reference	Circular date
1.	SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022	February 03, 2023
2.	SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091	June 16, 2023

➤ **Appointment of Principal Officer:**

The company shall appoint a Principal Officer, as required under the Prevention of Money Laundering Act, 2002. The Principal Officer is responsible to discharge the legal obligations to report suspicious transactions to the authorities. The Principal Officer will act as a central reference point in facilitating onward reporting of suspicious transactions and assessment of potentially suspicious transactions. and shall have access to and be able to report to the Board of Directors. Names, designation and addresses (including email addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU and the Managing Director or a Whole-Time Director duly authorized

by the Board of Directors. As a matter of principle, it is advisable that the 'Principal Officer' is of a sufficiently senior position and is able to discharge the functions with independence and authority.

The Principal Officer is also responsible for reviewing the alerts received from exchange / DP and has to follow proper methodology of enquiring into the alert. He will find about the details regarding the transaction and without informing the client about the alert will collate various information in support of the trade to reach to a conclusion whether the trade is required to be reported to the FIU. He is required to maintain the alerts with his conclusion regarding the same. In case if the transaction is required to be reported then he should inform the same to FIU and the Exchange / CDSL as required. If the transaction is not required to be reported then he should inform the same to FIU and the Exchange / CDSL as required.

➤ **Appoint a Designated Director:**

As defined in Rule 2 (ba) of the PML Rules, the company shall appoint a Designated Director who should be responsible for ensuring the compliance with the PMLA requirements; Names, designation and addresses (including email addresses) of "Designated Director" including any changes therein shall also be intimated to the Office of the Director-FIU

"Designated Director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes the Managing Director or a Whole-time Director duly authorized by the Board of Directors

➤ **Transactions to Record:**

- All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a 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 has taken place.
- 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 accounts.

Note: For recording all the suspicious transactions not only "transactions integrally connected", "transactions remotely connected or related" should also be considered in records.

➤ **Information to be recorded:**

- The nature of the transactions.
- The amount of the transaction and the currency in which it was denominated.
- The date on which the transaction was conducted.
- The parties to the transaction.
- The origin of the transaction.

➤ **Retention of Records:**

- All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period of five (5) years as prescribed in PMLA, 2002 and other legislations, regulations or exchange bye-laws or circulars.
- As per Regulations 54 and 66 of the SEBI (Depositories and Participants) Regulations, 2018" & SEBI/HO/MRD2/DDAP/CIR/P/2020/153 dated August 18th, 2020 all necessary records on transactions and documents, both domestic and international, should be maintained at least for

the minimum period of **8 years** as prescribed in PMLA, 2002 and other legislations, regulations or exchange bye-laws or circulars.

- In situation where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that case has been closed.

➤ **Procedure and manner of maintaining information.**

- The company shall maintain information in respect of above transactions with its client in hard and soft copies and in accordance with the procedure and manner as may be specified by the Reserve Bank of India or the Securities and Exchange Board of India, as the case may be, from time to time.
- The company shall maintain such information in form specified above and at such intervals as may be specified by the Reserve Bank of India, or the Securities and Exchange Board of India, as the case may be, from time to time.
- The company to observe the procedure and the manner of maintaining information as specified by the Reserve Bank of India or the Securities and Exchange Board of India, as the case may be.

➤ **Reporting of Transactions:**

- All staff members shall ensure that any transaction and/or activity which is believed to be suspicious is reported to the Principal Officer who shall validate whether the transaction/activity is of suspicious nature or not. However, it should be ensured that there is no discontinuity in dealing with the client until told otherwise and the client should not be told of the reporting. In exceptional circumstances, transactions may be suspended and client may be told to stop operation in the account.
- The company shall immediately notify to the money laundering control officers or designated officer as may be appointed by the authorities. The transactions will be informed in the format as may be prescribed by the Financial Intelligence Unit (FIU) from time to time. The documents and supportings will be maintained and forwarded to the regulators as may be asked for.

➤ **Customer Due diligence:**

a. **Identification / Verification**

The company has very strong system in place for acceptance of new client. The main measures which company has implemented for acceptance of new client keeping in view the PMLA requirements are as follows:

1. The Application forms for opening an account are issued only when the prospective client provides the valid reference & introducer for his account.
2. Verify the client's identity using reliable, independent source documents, data or information. Where the client purports to act on behalf of juridical person or individual or trust, the registered intermediary shall verify that any person purporting to act on behalf of such client is so authorized
3. All accounts are opened only when the prospective client is present in person before the company official. All sub brokers are also instructed to open only those account for which valid reference and introducer is available and client is present in person before the sub broker.
4. The company collects the details of location (permanent address, correspondence address and registered office address), occupation details; nature of business activities, financial status / income details are obtaining at the time of opening demat / trading account.
5. The company shall collect the various mandatory documents as required by law, including the proof of identity of the client.

6. KYC information should be updated on a regular basis during the course of business relationship.
 7. The customer should be identified by the Company using documents/information from reliable sources. Where such evidence is not available the business should be declined.
- (i) The procedure to be followed for admitting a person as a client is as under:
- The Client/Client's Nominee should submit the account opening form / client registration form duly filled-in and signed by the prospective client.
 - The Member-Client Agreement should be executed together with the Risk Disclosure Document.
 - The Client should provide all the necessary information required along with the relevant documents. Following documents should be collected from non-individuals clients:
 1. Non-individual Client Registration Form;
 2. Member and Client Agreement;
 3. Risk Disclosure Document;
 4. All other supporting documents for identity/address of the non individual entity and the authorized signatory;
 5. In case of companies, board resolution authorizing the directors/senior employees/ authorized signatory to operate on behalf of the company and to deal in the derivative market. In case of other entities, similar documents would be required;
 6. PAN Card copy of Non-individual client and all the partners/directors in case the client is a partnership firm or body corporate;
 7. Bank Account proof.
 - Following documents are to be collected from individual clients:
 1. Individual Client Registration Form;
 2. Member and Client Agreement;
 3. Risk Disclosure Document;
 4. All other supporting documents for identity and residence of the individual;
 5. PAN Card copy;
 6. Bank Account proof.
 - Photo identity proof of client should be verified against originals. In case of a non-individual client, photo identities of the directors/authorized persons should be verified against originals and taken on record.
 - If all the documents and form are in order, client should be allotted a Unique Client Code (UCC).
 - Clients can start transacting only after they have been allotted UCC.
- (ii) For information to be adequate enough to satisfy competent authorities in future that due diligence was observed by the Company in compliance with the SEBI Guidelines, each photocopy should be self-certified by the customer and should be verified with original document. Additionally, information that can be verified from the government websites like income tax etc. should be verified accordingly. The company should also try to use the services of reliable independent sources / agency/ies as required to check the authenticity of the documents, data or information as provided by the client.
- (iii) Where there are doubts about the quality or adequacy of information for the customers then, on the basis of materiality and risk categorisation of each client, identification / verification should be carried out at appropriate time (i.e. immediately - for high risk customers, immediately - when a transaction of significance takes place, immediately - when there is a material change in the way in which the account is operated etc.).

- (iv) For non-individual customers e.g. companies (particularly private companies), trusts, partnerships, etc. measures should be undertaken to understand the ownership and control structure (including the person(s) who is/are able to exercise control over the funds) and appropriate identification and verification should be done.
- (v) As part of the due diligence measures sufficient information must be obtained in order to identify persons who beneficially own or control securities account. Whenever 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 and verified using client identification and verification procedures as early as possible. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction(s) is/are being conducted & includes person who exercises ultimate effective control over a legal person or arrangement.

Identification of Beneficial Ownership:

For determining Beneficial Ownership, following approach is followed as specified in SEBI circular No. CIR/MIRSD/2013 dated 24th January 2013 & Further SEBI master circular no SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091 dated June 16, 2023 has amended

- **For clients other than individuals or trusts:**

Where the client is a person *other than an individual or trust*, viz., 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:

- a. 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. Explanation: Controlling ownership interest means ownership of/entitlement to:
 - i. More than 10% (Earlier 25% of shares or capital or profits of the juridical person, where the juridical person is a Company; or
 - ii. more than 10% (Earlier 15%) of the capital or profits of the juridical person, where the juridical person is a partnership; or
 - iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

In cases where there exists doubt under clause 4 (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means. Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

- b. Where no natural person is identified under clauses 4 (a) or 4 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

- **For client which is a trust:**

Where the client is a trust, the intermediary shall 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 10% (Earlier 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:**

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies

- **Applicability for foreign investors:**

Members dealing with foreign investors" viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular SEBI/HO/AFD-2/CIR/P/2022/175 Dated December 19, 2022 and amendments thereon for the purpose of identification of beneficial ownership of the client.

Further in case where no natural person is identified under clauses 1 (a) or 1 (b) above, the identity of the relevant natural person who holds the position of senior managing official should be obtained and kept on record.

The Stock Exchanges and Depositories shall monitor the compliance of the aforementioned provision on identification of beneficial ownership through half-yearly internal audits. In case of mutual funds, compliance of the same shall be monitored by the Boards of the Asset Management Companies and the Trustees and in case of other intermediaries, by their Board of Directors

- **Applicability for client being a non-profit organisation:**

Every registered intermediary shall register the details of a client on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after the business relationship between a client and the registered intermediary has ended or the account has been closed, whichever is later.

Where registered intermediary is suspicious that transactions relate to money laundering or terrorist financing, and reasonably believes that performing the CDD process will tip-off the client, the registered intermediary shall not pursue the CDD process, and shall instead file a STR with FIU-IND.

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 (c).

Understand the ownership and control structure of the client.

Conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and

- (vi) Before opening an account it must be ensured that the identity of the prospective client does not match with a person having known criminal background and that there are no prohibitory orders / sanctions against the prospective client by any enforcement/ regulatory agency.
- (vii) Before accepting any person as a client, it must be ensured that such person's name does not appear and is not linked in any way to the individuals and entities listed in the consolidated

list of individuals and entities maintained by Security Council Committee established pursuant to United Nations Security Council Resolution 1267 (1999). The consolidated list can be accessed from the UN website at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>. All existing accounts should be scrutinized to ensure that no account is held by or linked to any of the individuals or entities included in the aforesaid consolidated list. The Company shall intimate full details of accounts bearing resemblance to any of the individuals/entities in the aforesaid consolidated list to SEBI and FIU-IND.

- (viii) **Non Face-to-Face Customers:** Company should apply Customer Due Diligence procedures ensuring that the process is equally effective for non face-to-face customers & face-to-face customers. Financial services and products are frequently provided to non face-to-face customers via telephone and electronic facilities including Internet. To mitigate the risks posed by such non face-to-face business, customer due diligence, scrutiny of transactions and trading account should be conducted on an ongoing basis.
- (ix) All material amendments or alterations to client information (e.g. financial information or standing instructions) should be effected only on receipt of written request from the clients.
- (x) Company shall determine if the existing or potential client is a Politically Exposed Person (PEP) by seeking additional information from clients, accessing publicly available information etc. If the existing/potential client is found to be PEP, approval should be obtained from the Whole-time Director of the Company to admit the PEP as client or to continue the existing business relationship. The Company shall also seek the details of source of funds of clients identified as PEP. The additional norms applicable to PEP as contained in paragraph 14 of the Master Circular shall also be applied to the accounts of the family members or close relatives of PEPs
- (xi) The Stock Exchanges and registered intermediary shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and existing products. The Stock Exchanges and registered intermediaries shall ensure:
 - a. To undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
 - b. Adoption of a risk based approach to manage and mitigate the risks”.

b. Policy for acceptance of Clients

Company has developed customer acceptance policies and procedures which aim to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing. The following safeguards are followed while accepting the customers.

- i. No Trading account is opened in a fictitious / benami name, Suspended / Banned Organisation and person.
- ii. Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to Customers' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc and manner of making payment for transactions undertaken. These parameters enable classification of Customers into low, medium and high risk. Customers

- of special category (as given below) are classified under higher risk. Higher degree of due diligence and regular update of Know Your Clients profile are carried for these Customers.
- iii. Higher degree of due diligence and regular update of Know Your Clients profile are carried for these Customers.
 - iv. Higher degree of due diligence and regular update of Know Your Clients profile are carried for these Customers.

Clients of special category include the following:

- Nonresident clients
 - High net-worth clients,
 - Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
 - Companies having close family shareholdings or beneficial ownership
 - Politically Exposed Persons (PEP)
 - Companies offering foreign exchange offerings
 - Clients in high risk countries where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which government sanctions are applied, countries repute any of the following – Havens/ sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.
 - Non face to face clients
 - Clients with dubious reputation as per public information available etc.
- v. It should be specified in what manner the account should be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity / value and other appropriate details. Further the rights and responsibilities of both the persons (i.e. the agent-client registered with Company).
 - vi. Necessary checks and balance to be put into place before opening an account so 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, whether in terms of criminal or civil proceedings by any enforcement/ regulatory agency.

c. Know your Customer information

- i. Know Your Clients Form information should generally be obtained prior to commencing the relationship and should be updated on a regular basis during the course of the business relationship. A risk based approach should be applied depending on the type of customer, nature of the business relationship, product and any other risk factor that may be relevant, as well as any specific local requirements.
- ii. The client should be identified by the Company by using reliable sources including documents/ information. Adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship should be obtained by the Company.
- iii. The information to be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the Company in compliance with the SEBI Guidelines. Each original document should be seen prior to

acceptance of a copy and all copies of the documents should be self certified by the customer.

d. Identification / Verification Measures - Where a potential client has not dealt with the Company in the past and wishes to open a trading account, the procedure is that:

- i. The client provides the necessary information required, including relevant documents
- ii. The client account opening form / client registration form is duly completed by the dealer / sales executive / client (for private clients)
- iii. The client account opening form is approved by Dealing (for institutional Customers)
- iv. Information on the new client is given to Operations who will only effect settlement if the form duly filled and signed, is in place.
- v. The member client agreement is executed (together with the Risk Disclosure Document) and the client registration form is duly filled and signed.
- vi. All material amendments or alterations to client data (e.g. financial information or standing instructions) are in **writing**.

Note: Photo proofs for identification of the client to be verified against originals and taken before opening a trading account with a new individual client. In case of non individual client, photo identities of the directors / authorised persons are to be verified against original and taken on record.

Implementation of Aadhaar:

As per notification given by the Ministry of Finance (Department of Revenue) on 1st June, 2017 under Prevention of Money-laundering (Maintenance of Records) Second Amendment Rules, 2017 and review the policy periodically and implement as and when require/ circulars or press release or notification are issued by the Regulator or any other Authority from time to time. The Aadhaar has become mandatory and we have a policy to collect Aadhaar number along with supporting documents from all the clients.

We are complying with important requirements as mentioned in the notification are emphasize as under:

In these there are two types of clients:

- Individual
- Other than Individual i.e. Entities

In case of Individual:

The client shall submit to us the Aadhaar number issued by the Unique Identification Authority of India along with written consent for Authentication.

In case of other than Individual i.e. Entities:

Client is a Company/Partnership firm/Trust/ Unincorporated association or body of individuals, shall submit to us certified copies of **Aadhaar Numbers**; Issued to managers, officers or employees in case of company and the person in case of partnership

firm/trust/unincorporated association or a body of individuals holding an attorney to transact on behalf of the client entity along with written consent for Authentication.

- If the client does not submit the Aadhaar number, at the time of commencement of an account based relationship with M/s. ARJ Securities Pvt. Ltd., then they submit the same within the specified time limit.
- For existing clients already having an account based relationship with M/s. ARJ Securities Pvt. Ltd., the client shall submit the Aadhaar number within the prescribed time limit and we implement as and when circulars or press release or notification are issued by the Regulator or any other Authority from time to time.
- If client fails to submit the Aadhaar number within the aforesaid time limits the said account shall cease to be operational till the time Aadhaar number is submitted by the client.
- In case the identity information relating to the Aadhaar number submitted by the client does not have current address of the client, the client shall submit an officially valid document to the M/s. ARJ Securities Pvt. Ltd.

In view of the Supreme Court judgement dated 26.09.2018 regarding Aadhar Card not being mandatory for registration of clients in the Capital Market, the provision of the above point is not applicable and hence the above point is no longer valid

e. Risk Profiling of Customers / Risk Assessment

We shall carry 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 Resolutions these can be accessed at

- http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml
- <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.

- i. Customer's acceptance to the potential money laundering risk associated to it. Based on the risk assessment, customers should be grouped into the following three categories viz:
 1. Low Risk
 2. Medium Risk
 3. High Risk
- ii. The classification of clients will be based on the type of operation of the client, income earned, networth / Net Wealth of the client, etc. The Principal officer alongwith the designated director, board of director will lay down the further policy and revise the same on time to time basis.
- iii. All customers should be assigned one of these categories.

- iv. The category of risk assigned to an account/customer will determine the applicable Customer Identification Procedures, subsequent monitoring & risk management.
- v. Customers who may pose a particular risk to the Company and Money Laundering Deterrence Programme and the Company's reputation, and who should normally be treated as high risk and subject to enhanced Customer Due Diligence, include, but are not limited to the following:-
- Offshore Trusts, Special purpose Vehicles, International Business Companies which are established in locations with strict bank secrecy or confidentiality rules, or other legislation that may impede the application of prudent money laundering controls.
 - Private companies or public companies not subject to regulatory disclosure requirements that are constituted in full or in part by bearer shares.
 - Customers with complex account relationships - e.g. multiple accounts in one, customers with high value and/ or high frequency transactional behavior.
 - No account should be opened in anonymous or fictitious / benami name(s) i.e. to say the anonymous or fictitious / benami customers shall not be accepted.
 - No account should be opened if appropriate due diligence measures cannot be applied to a customer for want of verification documents on account of non co-operation of the customer or non-reliability of the data/information furnished of the Company.

Members of the Company must not establish accounts or relationships involving unregulated money service businesses or unregulated businesses involved in aiming / gambling activities.

- f. **Correspondent Accounts** The Company is not permitted to open or maintain "payable through accounts", (being correspondent accounts that are used directly to transact business on their own behalf) without the written and ongoing annual approval of the Head of Compliance.
- g. **Reliance on Third Party for Client Due Diligence:** The Client Due Diligence & In-Person verification of the clients will be done by the staff of the Group / company, however in future if any support will be taken from any third party agency then the company will carry out various tests before passing on the responsibility to the third party as the company understands that the Reliance on the third party will be at their own risk and thus will authorize any third party to do the activity only after thorough due diligence has been done of that third party agency before appointing that third party agency.
- h. **Continuous Monitoring of Transactions & Identification of Suspicious Transactions/Activities:**
- a. The Company shall undertake appropriate scrutiny and monitoring of customers' account activity and transactions on an ongoing basis in order to identify any unusual and potentially suspicious activity. This is possible only when the Company's staff has an understanding of the normal activity of the client so that they can identify any deviant transactions/activities;

- b. Transactions and account activity involving customers categorized as high risk should be subject to enhanced monitoring. The monitoring of transaction will also be done on basis of Volume of trading done by the client in proportion to his financial details / networth as disclosed in the KYC. The financial details will also be updated on periodical basis to have a proper control on their transactions.
- c. The Company has the procedure where it calls for the updated financial information of the client on annual basis from the clients. However, the company does not intend to stop the operations in case the financial information is not received unless and until it is felt that providing further exposure to the client may be problematic and with reference to the same the compliance officer/principal officer /senior management may take decision as felt necessary.
- d. 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 rationale or bonafide purpose;
 - iv. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

Some of the circumstances which may lead to suspicion and certain transactions which are deemed to be suspicious in nature are:

- False identification documents or identification documents which could not be verified within reasonable time;
- Non-face to face clients;
- Doubt over the real beneficiary of the account;
- Accounts opened with names very close to other established business entities;
- Suspicious background or links with known criminals;
- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale;
- Unexplained transfers between multiple accounts with no rationale;
- Unusual activity compared to past transactions;
- Use of different accounts by client alternatively;
- Sudden activity in dormant accounts;
- Activity inconsistent with what would be expected from declared business;
- Account used for circular trading;
- Unusual or unjustified complexity in transactions;
- No economic rationale or bonafide purpose of transactions;
- Doubtful source of funds;
- Transfer of investment proceeds to a 3rd party;
- Transactions reflecting likely market manipulations;
- Suspicious off-market transactions;
- Transaction value just below threshold in an apparent attempt to avoid reporting;
- Large sums being transferred from overseas for making payments;
- Transactions inconsistent with the clients apparent financial standing;
- Inconsistency in the payment pattern by client;
- Block deal which is not at market price or prices appear to be artificially inflated/deflated;

- Cash transaction with customers;
- Unusual transactions by Clients of Special Category (CSC), businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export and import;
- Transactions in securities could be considered as suspicious if they are far away from the prevailing market price or theoretical market price and are accompanied with offsetting transactions without satisfactory explanations;
- Transactions of a client would be considered as suspicious if the client does not confirm the transactions, does not sign the ledger account confirmations, securities ledger confirmations or does not effect receipts or payments of moneys due for a considerably long period of time without satisfactory explanations;
- out satisfactory explanations;
- Customers with no discernible reason for using Company's services e.g. clients with distant addresses who could find the same service nearer home or client's requirements not in the normal pattern of Company's business which could more easily be serviced locally;
- "Cold calls" by investors who are not known personally by the staff member or the market in general;
- Transactions not in keeping with the investor's normal activity, the financial markets in which the investor is active, or the investor's business;
- Buying and selling of securities with no discernible purpose or in unusual circumstances e.g. churning at the client's request;
- Large quantity or frequent buying & selling by clients in scrips categorized as 'Trade for Trade' by Exchange;
- Large numbers of transactions of small amounts by the same client in the same security, first purchased and then sold, the proceeds being credited to an account different from the original account;
- Transactions not in keeping with normal practice in the market to which it relates, i.e. with reference to market size and frequency or at off-market prices;
- The company has the policy not to deal in cash with any of the clients, all transactions, receipt or payment, are carried out only through account payee cheque and demand drafts only.
- The company transacts only in Indian Rupees and no other currencies are being used for trades with clients.
- All funds are released to the client by account payee cheques and with details of the bank account of the client written on the cheque so as to restrict the client to deposit cheques in only those bank accounts for which details are provided to us.

High degree of due diligence shall be applied in respect of clients of High Risk clients. The process of review of high risk clients will require detailed review at the time of opening of these accounts. Further the transaction of these Clients should be analysed and reviewed. Using various data analytic methods the company would also study the movement in the script in which the clients trade. In case of any modification to the information provided during account opening, the same should be thoroughly analysed and proper care to be taken to avoid any mis-happening. In case any suspicion is found in any activity of such account then the action should be taken to report the same as suspicious to the FIU and other regulators as required in law.

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The KYC department should also enquire about the beneficiary information for various non-individual entities and also carry-out the verification process by enquiring for the Proof of Identity & Proof of Address of owners as indicated in the earlier part of the PMLA policy.

All the clients of the company will be continuously reviewed to check whether the client's name not matches with names in any of the following lists:

- SEBI Debarred List
- UNSC
- PEP
- OFAC (Office of Foreign Access and Control given by US Treasury Dept.)
- Such other list that may be specified by the Regulators/Compliance Department from time to time.

Further for high-risk clients this review will be done on a continuous manner on a weekly / monthly basis as may be decided by the management.

- e. The compliance department of the Company shall randomly examine a selection of transactions undertaken by clients to examine and comment on whether or not they are in the nature of suspicious transactions.
- f. The compliance department should also ask for the latest financial information from the clients on regular basis and even ask the clients to provide the updated documents in case of any change of address or any other information as provided earlier.

➤ **Action on Reported Suspicious Transactions & Cash Transactions**

- (i) All reported suspicious transactions of any customer(s) with suspicious identity should be reviewed by the Principal Officer thoroughly. After thorough verification & confirmation of transactions which are suspicious in nature, the same should be immediately (not later than 7 days) reported to FIU, Ministry of Finance, New Delhi in writing.

(ii) Reporting to Financial Intelligence Unit – India (FIU-IND):

Principal Officer of the Company shall act as a central reference point in facilitating onward reporting of transactions to FIU-IND and for playing an active role in the identification and assessment of potentially suspicious transactions. Principal Officer of the Company shall submit Cash Transaction Reports (CTRs) and Suspicious Transaction Reports (STRs) as prescribed under Rule 3, notified under the PMLA to:

Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Tower 2, Jeevan Bharat building,
Connaught Place,
New Delhi-110001.INDIA
Telephone : 91-11-23314429, 23314459
91-11-23319793(Helpdesk)
Email: helpdesk@fiuindia.gov.in
(For FINnet and general queries)
ctrcell@fiuindia.gov.in
(For Reporting Entity / Principal Officer registration related queries)
compliance@fiuindia.gov.in
Website: <http://fiuindia.gov.in>

and shall adhere to the following instructions given in SEBI Circular no. ISD/AML/CIR-1/2008 dated December 19, 2008 and any further instruction or amendment while reporting:

- a. Cash Transaction Reports (CTRs): All cash transactions identified as per clause 7(iii) of this policy should be reported to the FIU-IND in Cash Transaction Reports.
 - The CTRs (wherever applicable) for each month should be submitted to FIU-IND by 15th of the succeeding month;
 - The Company shall submit the CTRs in electronic format;
 - The CD should be accompanied by Summary of Cash Transaction Reports in physical form duly signed by the Principal Officer.
- b. Suspicious Transaction Reports (STRs):
 - All suspicious transactions shall be reported by the Principal Officer to Director, FIU-IND within 7 working days of establishment of suspicion at the level of Principal Officer. The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.
 - The Principal Officer shall submit the STRs in electronic format;
- c. The Principal Officer will be responsible for timely submission of CTRs and STRs to FIU-IND;
- d. Utmost confidentiality should be maintained in filing of CTRs and STRs to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.
- e. No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious transactions to be reported.

As a Registered Intermediaries we shall not put any restrictions on operations in the accounts where an STR has been made. Registered intermediaries and their directors, officers and employees (permanent and temporary) shall be prohibited from disclosing ("tipping off") the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/ or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level.

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It is clarified that the registered intermediaries, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

It is further clarified that "proceeds of crime" include property not only derived or obtained from the scheduled offence but also any property which may directly or indirectly be derived or obtained as a result of any criminal activity relatable to the scheduled offence.

➤ **Co-operation with Authorities**

- The Company and its staff shall cooperate with Anti Money Laundering authorities and shall comply with requirements for reporting any suspicious transactions/activity. However, due regard must be paid to the Company's policy of maintaining customer confidentiality.

Confidential information about customers may, therefore, only be given to the authorities when there is a legal obligation to do so.

- The Company and its staff shall strictly ensure that there is no 'tipping-off' to customers about suspicious transaction report being made about their transactions/activities or that the authorities are looking into their transactions/activities. If such information is passed to a customer, it may seriously hamper the enquiry/investigation of the authorities.
- There may be occasions when the authorities ask for a suspect account to be allowed to continue to operate while they progress with their enquiries. In such cases, the Company would cooperate with the authorities, as far as possible, within the bounds of commercial prudence and applicable laws. Senior line management and Principal/Compliance Officer must always be kept aware of such instances.

➤ **Training and Investor Education**

All new staff including temporary or contract staff who may be involved in customer business must receive suitable and timely induction training to ensure that they understand the Company's approach to money laundering deterrence, including:

- What money laundering is?
- The Company's requirements under the Policy, Company Policies & Procedures and additional policy and standards issued under the Company's Money Laundering Deterrence Programme, as appropriate.
- Legal or regulatory requirements and the risk of sanctions for themselves, the Company.
- Reporting requirements as prescribed by SEBI.
- The role played by their Principal / Compliance Officer in money laundering deterrence.
- The need to protect the Company's reputation.

Staff in high-risk areas should receive appropriate training to enable them to understand the money laundering techniques which are likely to be used in there area, and to remind them of their personal responsibilities under the Policy, Company Policies & Procedures other applicable Company Policy and standards and local legal requirements.

Refresher training should be provided as appropriate and should as a minimum remind staff in high-risk areas annually of their responsibilities and alert them to any amendments to the Company's Money Laundering Deterrence Programme or local legal and / or regulatory requirements, as well as any new money laundering techniques being used.

The company has made the PMLA policy which is informed to the Investors through the company's website and the company is also carrying out Investor Education initiative by explaining the investors about the PMLA rules & requirements.

➤ **Hiring of Employees:**

The company has a sufficient system of screening the employees before their appointment so that they are suitable and competent to perform their duties. The company would also carry out on going employee training programme so that the Employees are adequately trained in AML and CFT procedures as required.

➤ **Procedure for freezing & unfreezing of funds, financial assets or economic resources or related services**

Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the prevention of, and coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government had issued an Order dated March 14, 2019 detailing the procedure for the implementation of Section 51A of the UAPA, in view of the reorganization of Divisions in the Ministry of Home Affairs and allocation of work relating to countering of terror financing to the Counter Terrorism and Counter Radicalization (CTCR) Division. Member is aware that Under section 51A of Unlawful Activities (Prevention) Act, 1967, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 dated October 15, 2019 & further SEBI Master Circular ref. no: SEBI/ HO/ MIRSD/ MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023 and SEBI master circular no SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091 dated June 16, 2023 which needs to be complied with scrupulously. Accordingly, in order to ensure compliance with the Order the company shall follow the following procedure:

In case if any client is found to be guilty under the PMLA provisions then the following procedure to be followed by the Company will be as under:

- 1) If the particulars of any of customer/s match the particulars of designated individuals/entities, the Company shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer on their books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The Company would also convey the information through e-mail at jsctcr-mha@gov.in
- 2) The Company shall also send a copy of the communication mentioned above to the UAPA Nodal Officer of the State/UT where the account is held and to SEBI and FIU-IND, without delay. The communication shall be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Deputy General Manager, Division of FATF, Market Intermediaries Regulation and Supervision Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051. The consolidated list of UAPA Nodal Officers is available at the website of Government of India, Ministry of Home Affairs
- 3) x, Bandra (E), Mumbai 400 051. The consolidated list of UAPA Nodal Officers is available at the website of Government of India, Ministry of Home Affairs
- 4)), Mumbai 400 051. The consolidated list of UAPA Nodal Officers is available at the website of Government of India, Ministry of Home Affairs
- 5) The Company would inform the IS-I Division of MHA so that they may take effective action like informing the State Police and /or the Central Agencies for conducting the verification of the individuals/ entities identified by the registered intermediaries.
- 6) The Company to provide full support to the appointed agency for conducting of the verification so that the verification gets completed within a period of 5 working days.
- 7) The Company would not provide any prior notice to the designated individuals/entities.

➤ **Procedure for Unfreezing of funds, financial assets or economic resources or related services**

Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to the concerned stock exchanges/depositories and registered intermediaries.

The stock exchanges/depositories and registered intermediaries shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 5(ii) above within two 21 working days.

individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 5(ii) above within two 21 working days.

The Joint Secretary (IS-I), MHA, being the nodal officer for (ISI) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned stock exchanges, depositories and registered intermediaries.

, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned stock exchanges, depositories and registered intermediaries.

However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of IS-I Division shall inform the applicant.

The Stock Exchanges and the registered intermediaries shall leverage latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements

➤ **Monitoring and Review of the Company's AML Policy & Procedures**

- 1) The Company shall undertake regular monitoring of its operations through line management and/or Compliance to check that all businesses are complying with the Company's AML Policy & Procedures as well as local legal and regulatory requirements as prescribed under the PMLA and by SEBI.
- 2) Operational and functional review work shall be undertaken by Compliance and/or Audit functions, as appropriate. Compliance Officer shall liaise with their relevant Audit function counterpart to arrive at appropriate review programme and responsibility.
- 3) The level and frequency of monitoring and review work shall be undertaken having regard to materiality and risk in relation to the business and customer base.
- 4) The review of the policies and procedures, should be done by a person who is different than the one who has framed such policies and procedures so as to check the effectiveness.

14. Further Information

Any queries or doubts concerning Company AML Policy & Procedures or any local legislation or regulation or Circulars or Guidelines relating to Anti Money Laundering and/or Combating Financing of Terrorism shall be referred to the Principal Officer of the Company.

15. Other Points

- The Policy / Documents will be reviewed once in a year or as and when required and will be presented before the board in the board meeting.
- The company has made the PMLA policy which is informed to the Investors through the company's website and the company is also carrying out Investor Education initiative by explaining the investors about the PMLA rules & requirements.

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