



# Anti Money Laundering Policy

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## with reference to the Guidelines for market intermediaries on Anti money Laundering Standards, Issued by SEBI

Money laundering (converting illegal money into legal money) is recognized world over as a threat to the financial systems and to the integrity and sovereignty of the countries. In this context SEBI, Stock & Commodity Exchanges and Depositories want intermediaries also (Share Broker, Sub Broker, Authorized Persons, Share Transfer Agent, Portfolio Manager , etc) to comply with their circulars, guidelines, Prevention of Indian Money Laundering Act 2002 and the rules issued there under for prevention of money laundering and terrorist financing.

In terms of the Act we the intermediaries have to maintain and preserve for ten years (from the date of cessation of transactions) the records of the following transactions and to report them to specified authorities within the prescribed time schedules.

\* All suspicious transactions whether or not made in cash and including, inter -alias, credits or debits into from any non monetary account such as demat account, Security account maintained by the registered intermediary.

We have to maintain and preserve the following information in respect of the transactions referred to earlier.

- (i) The nature of the transactions:
- (ii) The amount of the transaction and the currency in which it was denominated
- (iii) The date on which the transaction was conducted; and
- (iv) The parties to the transaction.

(A List of sample suspicious transactions is given in the annexure.)

### **OUR POLICY**

1. To adopt strictly the customer acceptance policies and procedures which are sensitive to the risk of money laundering and terrorist financing (following strictly the guidelines issued by SEBI, Stock & Commodity Exchanges, Depositories and GOVT of INDIA).

2. To undertake customer due diligence measures to an extent that is sensitive to money laundering.

3. To develop staff members` awareness and vigilance to guard against money laundering and terrorist financing.

4. To regularly review the policies and procedures followed in this regard and change or add that is required depending upon the needs.

## **PROCEDURES**

With regard to the policy for acceptance of clients we shall ensure that

- A) No account is opened in fictions | benami name on an anonymous basis.
- B) Details such as registered office address, correspondence address, other address, name of business activity, trading turnover, manner of making payment etc or thoroughly checked on an going basis.
- C) Clients are classified as low, medium and high risk clients.
- D) Higher degree of due diligence and regular update of KYC profile is exercised and done.
- E) We collect all documents, information from clients as per guidelines received from SEBI, Stock & Commodity Exchanges and Depositories.
- F) No account is opened when we are not able to identify the client or there is no co-operation from the client in proving full information or information provided is suspected to be non genuine.
- G) Evaluation is done to find out whether there is any suspicious trading and to decide whether to freeze or close the account.
- H) No securities of money are returned if they are from suspected suspicious trading
- I) No client having criminal background or banned in any other manner in terms of criminal or civil proceedings by any enforcement agency worldwide opens an account with us.
- J) We collect full information's about clients from the date of opening the account till the account is continued, periodically.
- K) We adopt enhanced due diligence process for higher risk categories of customers, such as special categories of customers as under.
  - 1. Non resident clients.
  - 2. High net worth clients.
  - 3. Trust, charities, NGO`s and organizations receiving donations.
  - 4. Companies having close family share holdings or beneficial ownership
  - 5. Politically exposed persons of foreign origin.
  - 6. Current | Former Head of state, current or Former senior high profile politicians and connected persons ( immediate family, close advisors and companies in which such individuals have interest or significant influence).
  - 7. Clients in high risk countries ( for example – Countries active in narcotics

production, off shore financial centers)

8. Non face to face clients
9. Clients with dubious reputation .

**We exercise customer due intelligence as under.**

- (A) By obtaining sufficient information to identify and verify who beneficially own or control securities account | control the client.
- (B) By verifying the customer's identity using reliable independent source, data document etc.
- (C) By conducting an on going due intelligence and scrutiny throughout the course of business relationship to ensure that the transactions conducted are genuine.

**REPORTING**

All Suspicious transactions identified by any one in branch or in head office are to be reported immediately to the Principal officer at head office, By means of a private and confidential letter for his scrutiny and for taking appropriate action.

Under no circumstances the matter under investigation process is to be revealed to the clients concerned.

Principal officer will give appropriate directions depending upon the nature and background of transactions to the branch officials concerned.

In short all staff should be alert and vigilant enough to identify if there are any abnormal transactions taking place in their area of operations and to report the same to Principal officer, ANTI-Money Laundering cell at the Head office and seek his guidance.

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**For detailed information, We have to refer to**

1. NSE investigation Department circular no. NSE/INVG/2006/09 dated 25-01-06
2. SEBI circular no. ISD/CIR/RR/AML/1/06 dated 18-01-06
3. NSE circular no. NSE/INVG/2006/33 dated 24-03-06
4. The Prevention of money Laundering ACT 2002.

We should also refer to the circular issued by Stock & Commodity Exchanges and Depositories from time to time in respect of this subject.

**ANNEXURE**

## **SUSPICIOUS TRANSACTIONS :**

It means a transaction whether or not made in cash which to a person acting in good faith

- A) Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime or
- B) appears to be made in circumstances of unusual or unjustified complexity or
- C) appears to have no economic rationale or bonafid purpose.

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List of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative.

1. When clients do not co-operate in giving documents etc.
2. Where source of the funds is not clear or not in keeping with clients apparent standing or business activity.
3. Substantial increase in business without apparent cause.
4. Transfer of funds to apparently unrelated third parties | other accounts.
5. Buying and Selling of illiquid shares | Securities
6. When false documents are given
7. When one introduces large number of clients.
8. Accounts opened by others. ( for different persons)
9. Insider buying | selling of shares.
10. Those who make money by being extremely smart or lose the money regularly
11. Trading patterns of the client indicates adverse futures.

## **CIRCULAR LETTER**

**Date: 01-08-2009**

**Subject:** - Obligations of Securities Market Intermediaries under Prevention of Money Laundering Act 2002 and rules framed there under.

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We trust that, you are aware the various provisions under Anti money Laundering Act and our obligations as security market intermediaries under that Act. Please note that we have issued detailed circulars on this matter on 21.06.2006 and on 14.12.2006. (Our group companies policy framed thereto, is also available in our website ([www.moneyspellindia.com](http://www.moneyspellindia.com)))

In order to make ourselves more familiar with Anti money Laundering Act provisions we give below, in brief, the procedures we have to follow in dealing with client accounts with relation to Money laundering and what we are expected to do, in case,

we come to know abnormal Trade transactions, taking place in our clients accounts.

### **What is Money Laundering in general?**

Converting the proceeds of illegal / criminal activities into legal money by one or many transactions through financial system.

(**Examples-** Routing stolen money / ransom received for holding a person captive, through financial system)

### **Who is a Money launderer?**

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 is projecting it as untainted (legitimate) property.

### **Need for the Anti Money Laundering Measures:**

International initiatives taken to combat drug trafficking, terrorism and other organized and serious crimes have concluded that financial institutions including share broking firms / depository participants must establish procedures of internal control to prevent and impede money laundering and terrorist financing.

### **Our basic requirements under the Law:**

1. We should have a system in place for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities.
2. In Terms of the Act, we, the intermediaries have to maintain and preserve for Ten years (from the date of cessation of transactions) the records of the following transactions and report them to specified authorities, within prescribed time schedules:

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 this purpose, we have to maintain and preserve the following information, in respect of the transactions referred to earlier.

- a) The nature of transaction
- 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 party to the transaction

### **Important guidelines to be followed by us:**

1. To identify and verify the beneficial ownership and control (i.e.) determine which individuals ultimately own or control the customer and or the person on whose behalf a transaction is conducted.
2. To conduct on going due diligence and scrutiny (monitor the accounts, their transactions throughout the course of business relationship) to ensure that the transactions conducted are normal and as per our assessment of the customer.
3. To follow "know your customer" procedures and open customers accounts accordingly. Then we have to classify

clients, as low /medium / high risk and special category of customers taking into risk factors and handle the different category of clients by adopting suitable risk based approach. (Increasing / Decreasing Frequency of follow up according to the level of risk)

## **Classification of Clients**

### **Low risk clients:**

Their wealth can easily be identified.

**For example:** Salaried class people Government Companies.

### **Medium risk clients:**

Based on their nature of business,

**For example:** Real Estate business firms

Turnover and business, source of funds,

Automobile workshops/

Their profits, and market reports,

Consultants' interior decorators

Their worth can be ascertained.

### **High-risk clients:**

Whose source of income

**For example:** Non-resident clients Trusts Non

cannot be identified / obtained easily

Face-to-face customers

### **Exceptional (Very high risk) clients:**

**For example:** Persons and entities having cases

filed against them by police, IT

authorities enforcement directorate etc.

In respect of high risk / very high-risk clients opening and monitoring of accounts requires special attention and systematic scrutiny of account transactions very frequently or even hour to hour basis

## **What are Suspicious Transactions?**

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

- A) Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime or
- B) Appears to be made in circumstances of unusual or unjustified complexity or
- C) Appears to have no economic rationale or bonafide purpose.

Broad categories of reason for suspicion and examples of suspicious transactions for an intermediary are indicated as under:

### **Identity of client**

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities

### **Suspicious Background**

- Suspicious background or links with known criminals

### **Multiple Accounts**

- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale
- Unexplained transfers between multiple accounts with no rationale

### **Activity in Accounts**

- 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

**\*\*\*\*\*The Circular Trading System (CTS) is a market-neutral "personal hedge fund" trading system that is always in the market. It automatically gets you long when a stock is going up, and short when a stock is going down. Stops are reversal points, so that if you are long and a stop is hit, you exit the long and then go short. If you are short and a stop is hit, you cover the short and then go long.**

### **Nature of Transactions**

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations

- Suspicious off market transactions

#### **Value of Transactions**

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- Large sums being transferred from overseas for making payments
- 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

#### **What is to be done in case Broker / sub-broker or Staff at Head office find a transaction prima facie suspicious:**

To be reported to principal officer (AML) at Head office in the manual / electronic format without causing any inconvenience or embarrassment, without delay (format to be obtained from systems Dept at c.o.)

**Conclusion:** - Money Laundering in any form is an offence under the law. As such, it is our duty, as securities market intermediaries, to be familiar with AML Act and follow it strictly. Further, we have been given guidelines by Stock & Commodity Exchanges and Depositories and KYC procedures and instructions given by the Head office, with regards to opening, operations and closure of accounts which we need to strictly follow. If clients / accounts, throw any suspicion with regards to the transactions, carried out by them we have to become vigilant, enquire discreetly (prudently / tactfully), and report the same to Principal officer (AML) at c.o. confidentially without disclosing to client concerned.

DIRECTOR

Reference: -

For full details of SEBI / Stock & Commodity Exchanges and Depositories and Our policy document in our website

For any clarification / doubt, please write / Email to principal officer (AML) at

**Principal Officer :** Parvathi Palaniappan 9381051911

**Designated Director :** EMC. Palaniappan 9381003412

**Customer Acceptance Policies and Procedures**

**Last Reviewed on 17.09.2021**

# **Customer Acceptance Policies and**



# Procedures

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## Customer Acceptance Policies and Procedures

### (to determine the true identity of the clients)

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## GUIDELINES FOR STAFF MEMBERS WITH REGARD TO

- a) Policy for acceptance of clients
  - b) Procedure for identifying clients
  - c) Transaction monitoring and reporting (Especially suspicious transactions reporting (S.T.R) with special reference to PML Act 2002.)
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INTRODUCTION: It is very important for us to know our clients completely before we open any type of account say Demat or trading accounts (Trading in shares/commodities/currencies) for them. It is also necessary for us to know them, their status throughout the period during which business relationship is maintained in order to safeguard the interest of both parties involved and to avoid financial loss or risk for both sides and to ensure that the transactions conducted are normal. We have to exercise due diligence in identifying clients and verifying their identity especially beneficial owners identity (beneficial owner is the natural person or persons who ultimately own, control, and influence a client and/ or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control) Staff Members are directed to keep the following points in mind while identifying and dealing with customers. Further they are required to be thorough with PML ACT 2002 AND CIRCULORS issued by NSE, SEBI, NCDEX, MCX from time to time and our policy guidelines. For any clarification required in this regard Staff members may contact Principal officer/ compliance cell at Head office.

e have to know first who is a customer

### A customer is

- a) A person or an entity maintaining an account with us.
- b) One on whose behalf the account is maintained i.e. the beneficial owner.

### Whom we can accept as our customer?

All those who fulfill all our requirements given in our KYC form.

Accounts are to be opened after being approved by duly authorized officials.

### When and for whom we cannot open accounts?

- a) Persons having known criminal background or banned by enforcement authorities worldwide.
- b) When we are not able to identify the client and verify client identity.
- c) When prospective clients do not cooperate in giving financial and other relevant details
- d) No account shall be opened in anonymous/fictitious/nick name

e) When the information provided by the client is not genuine.

Important check to be made before opening the account

We have to ensure that the names of proposed customers / entities are not in the list of individuals and entities which are subject to various sanction measures such as freezing of accounts, denial of financial services etc; initiated by UN SECURITY COUNCIL/. (we can view the list by browsing UN WEBSITE AT <http://www.un.org/sc/committees/1267/consolist.shtml>.) Existing customers also are to be scanned to verify that no account is held by or linked to any of the entities/individuals given in the list. Further if any account is bearing resemblance with any of individuals or entities given in the list, the details of the same has to be reported to Principal officer at HO for furnishing the same to designated/Government authorities concerned. Since we have already received the consolidated list of individuals and entities from SEBI/NSE and started receiving changes made in the consolidated list periodically (additions and deletions) in electronic form we have to maintain an updated designated list in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to their order hereinafter referred to as designated individuals/entities are holding any funds or economic resources or related services held in the form of bank accounts or stocks or insurance policies etc; with us. In case the particulars of any of our customers match with the particulars of designated individuals/entities we have to inform full particulars of the same to government authorities not later than 24 hours from the time finding out such customer. Further we have to prevent designated persons/entities from conducting financial transactions under intimation to Joint secretary (ISI) Ministry of Home Affairs. We have to file a suspicious transaction report with FIU-IND covering all transactions in such accounts carried through or attempted as per the prescribed format. Thereafter we have to comply with directives received from Government officials. (These instructions are included to comply with the combating financing of terrorism under unlawful activities (Prevention) Act 1967).

THE NEED TO CLASSIFY CUSTOMERS ON THE BASIS OF OUR RISK PERCEPTION/ FACTORS AT THE TIME OF OPENING THE ACCOUNT (We have to take into account client's location his background, nature of his business, turnover etc., for assessing the risk)

KYC form filled up by the prospective customer will provide details of his family background, Social status, and financial status to some extent. By personal discussion with the customer, By making enquiries with the introducer, his bankers and other sources, we have to collect more information about the customer in order to assess his capacity and fix the trading limit. We can classify customers into LOW, MEDIUM, HIGH AND VERY HIGH risk customers according to our risk perception on each Customer. This categorization will help us to understand each customer better and deal with his accounts suitably.

Customers whose financial status can be easily assessed and who do not pose high risk such as salaried clients, Professionals like Doctors, Engineers Government Companies and business firms can be brought under Low and Medium risk customers.

High-risk clients are those whose source of income cannot be ascertained/obtained easily. Non-resident clients, trusts, non face-to-face customers come under this category. Very high risk clients are those mainly Politically exposed persons and persons/entities having cases filed against them by Police, Income tax / Enforcement authorities, High net worth clients and Clients with Dubious reputation as per public information available.

The following type of clients are generally classified as Clients of special category.(CSC) Such type of clients may be very high risk clients. Therefore such accounts require our special attention with regard to their identity and identification of beneficial owners before opening the account and closer monitoring of operations after opening the account from day one throughout the maintenance of the account. It's important that we should consider all the relevant risk factors and determine the level of over all risk before we decide to open the accounts.

1. Non-resident accounts
2. High net-worth clients.
3. Trusts, charities, NGOs and organizations receiving donations.
4. Companies having close family share holdings or beneficial ownership
5. Politically exposed persons (PEP)(They are individuals who are or have been entrusted with prominent public functions in a foreign country e.g.; Heads of states or of governments, senior politicians, senior government/judicial/military officers senior executives of state owned corporations, important political party officials, etc.) Family members or close relatives of PEPs
6. Clients in high-risk countries as per specific information that is circulated by the Government of India and SEBI from time to time. We have to visit the following website.

[http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml)

<http://www.un.org/sc/committees/1988/list.shtml>)

7. Non face-to-face clients.

8. Clients with dubious reputation as per public information available etc.

OTHER FORMALITIES TO BE OBSERVED AT THE TIME OF OPENING NEW ACCOUNTS.

A) We have to obtain know Your Client document cum client registration form/ Broker client agreement form duly completed and properly executed by clients without fail and without any waiver.

B) Valid Pan card to be obtained for all accounts. Their genuineness is to be verified in Income Tax Website However it need not be insisted in the case of Central Government, State Government, and the officials appointed by the courts e.g. Official liquidator, Court receiver etc. (under the category of government) but we have to verify documentary evidence in support of their claim for such an exemption. We have also to verify in the SEBI website whether our account holders are not banned to open trading accounts.

C) We should Obtain one recent photo for all clients (partners/directors/trustees/karta/agent) (However photograph need not be submitted by a judicial person, the banking company, financial institution and intermediary. But we have to verify that any person purporting to act on behalf of such client is so authorized and further check the identity of the person.)

D) We have to carry out in person verification of all documents submitted with originals. Certified copies of all documents are to be thoroughly gone through and recorded and kept safely.

E) We should initiate personal discussion with clients. More elaborate discussions with high risk and very high risk clients will be useful to fix up limits If politically exposed persons or their relatives /friends open accounts we have to exercise more diligence, obtain more information from media etc, Such accounts should be opened only after getting prior approval of senior executives.

F) We have to ensure that all prospective account holders are legally competent to open accounts and not prohibited by any law. (The Indian Contract Act, Indian Company Act, Partnership Act, PML ACT Etc.,)

G) We have to obtain information on the purpose and intended nature of the business relationship.

H) We should identify the beneficial owner and take all reasonable steps to verify the identity.

KEY ASPECTS IN CLIENT IDENTIFICATION

For establishing business relationship parties involved must know each other fully well. Similarly we must know our customer's name (names of beneficial owner /agent) and their permanent, present (official/residential) and correspondent addresses as basic information. Documents, which reveal them are called Proof of identity of the person and Proof of address. They are to be obtained from all customers.

One certified Copy of any one of the following officially valid documents should be called for as proof of identity.

COPY OF VALID PAN CARD

CURRENT PASSPORT

VOTER ID

DRIVING LICENCE or

ANY OTHER VALID DOCUMENT APPROVED BY NSE/SEBI

Certified copy of any one of the following documents should be called for as proof of address.

BANK PASSBOOK/STATEMENT OF ACCOUNT

DEMAT ACCOUNT DETAILS INCLUDING ADDRESS FROM DEPOSITORY.

RATION CARD

TELEPHONE BILL

DRIVING LICENCE

ELECTRICITY BILL

VOTER ID

PASSPORT

(TELEPHONE NUMBER AND EMAIL ADDRESS ALSO TO BE RECORDED)

Apart from these common documents, which are required for each and every customer we should obtain client specific documents depending upon the type of client accounts we open. Indicative list of OTHER documents to be obtained are given below. Verification of these documents and the common documents mentioned earlier such as pan card, proof of identity and proof of address plays an important role in customer identification system. Originals can be returned to clients after checking them with copies given to us duly keeping certified copies with us for our records.

Accounts of individuals.

- A) Client registration form (KYCF)
- B) Client's recent photo with his signature on it.
- C) Proof of bank account. (Cancelled cheque, bank statement/passbook)
- D) Proof of declared demat account (recent demat account statement / allotment of client id letter).
- E) Initial security deposit cheque with a copy of it.
- F) Proof of his/her financial status. (Income tax returns/ any other valid document in proof of his business or profession or nature of business )

NRI ACCOUNTS (INDIVIDUALS)

- a) First they should open NRE/NRO Account with designated bank .RBI Approval (through his bank) required for opening PMS ACCOUNT and for trading in futures and options.
- b) All other formalities required for resident individuals in connection with opening of new accounts are to be observed. NRI status to be verified. We have to ensure that their accounts are operated as per RBI exchange control regulations in force.
- c) Proof of overseas and Indian address
- d) Copy of valid power of attorney / Mandate if anyone is authorized to operate the account on his behalf.

Accounts of HUF and Proprietary firms

- A) All documents required for individual accounts should be obtained with suitable modifications wherever necessary for these accounts also.
- B) Karta of HUF should sign the documents with seal.
- C) Proprietor of the firm has to sign all the documents as proprietor with seal.
- D) Valid proof of Karta or Proprietor has to be obtained.
- E) Nature of business and financial status to be ascertained and recorded.

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ACCOUNTS OF PARTNERSHIP FIRMS

a) In addition to all common documents such as pan card, proof of identity,

Proof of address (to be obtained for the firm as well as partners) proof of bank account, Proof of demat account (For Partners), we have to obtain the following specific documents.

B) Registration certificate (where registered)

c) Partnership deed

d) All partners to sign the KYC form with seal

e) Nature of business and financial status of the firm to be ascertained and recoded.

#### ACCOUNTS OF LIMITED COMPANIES

A) Certificate of incorporation

B) Certificate to commence business in the case of public ltd companies

C) Memorandum and articles of association

D) Resolution from the board of directors regarding opening and operation of the account.

E) Power of attorney if granted to any one to operate the account

F) Recent photo of all directors and authorized persons

G) Balance sheets of the company for three years

H) All documents are to be signed by all directors or by the director/s as authorized by Board resolution with the company seal.

I) Networth certificate of the company

J) List of present directors with their index number (din) and details of share holding.

Certified copy of documents of the same are enough for our records. But they have to be accepted only after verification with originals.

#### ACCOUNTS OF ELIGIBLE TRUSTS, SOCIETIES

a) Certified copy of trust deed/Societies rules and regulations

b) Registration certificate copy

c) Resolution of the managing body of the society/trust in agreement with Societies rules and regulations / trust deed.

d) Certified / notarized copy of Power of attorney granted to transact business on its behalf.

e) Any officially valid document to identify the trustees/power of attorney holders/persons Who are authorized to operate the account.

f) Proof of their legal existence.

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#### Reliance on third party for carrying out Client Due Diligence (CDD):

We identify our clients directly and without any third party assistance.

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## MONITORING OF TRANSACTIONS

- a) We have to keep a tab regularly on the transaction profile of the clients. This would help us to identify the abnormal trade file of the suspected clients.
- b) We have to pay special attention to all complex, unusually large transactions/patterns, which appear to have no financial or commercial justification.
- c) Very high account turnover inconsistent with the size of the balance may indicate that funds are being "routed/washed" through the account. Such accounts need closer scrutiny.
- d) We have to pay attention to those accounts, which exceeds the limits very often and do not maintain required margins.
- e) We have to obtain KYC forms every year and update our records.
- f) We have to verify financial status of our clients every year and revise the limits upward or downward suitably.
- g) We have to maintain continuous familiarity with the clients and follow up actively where we notice inconsistencies in the information provided.
- h) We should exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with our knowledge of the customer, his business and risk profile.
- i) Internal auditors/compliance cell have to ensure that proper monitoring system is in place. Compliance cell have to randomly examine a selection of transaction undertaken by clients to comment on their nature –whether they are normal or suspicious.
- j) We have to be on the look out to discourage and identify any money laundering or terrorist financing activity taking place through our client's accounts.

### Maintenance of records of transactions (nature and value) pertaining to us

Under the PML Act 2002 RULE No – 3 We have to maintain a record of

- a) All transactions where any forgery of a valuable security or a document has taken place.
- b) All suspicious transactions whether or not made in cash and including, inter-alia credits or debits into from any non-monetary accounts such as demat account, Security account maintained by us.

## SUSPICIOUS TRANSACTIONS

1. Suspicious transaction means a transaction including an attempted transaction whether or not made in cash which to a person acting in good faith :-

- A) Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime or offence specified in the schedule to the Act regardless of the value involved or
- B) appears to be made in circumstances of unusual or unjustified complexity or
- C) appears to have no economic rationale or bonafide purpose; or
- D) Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

2) Examples of suspicious transactions are given below

WITH REGARD TO :-

(a) Identity of client

False identification documents. Identification documents, which could not be verified within reasonable time. Non-face to face client. Doubt over the real beneficiary of the account. Accounts opened with names very close to other established business entities. Receipt back of welcome kit / contract notes / statement of accounts and delivered at the address given by the client.

(b) SUSPICIOUS BACKGROUND

Suspicious background or links with known criminals

(c) MULTIPLE ACCOUNTS

Large number of accounts having a common account holder, introducer, or authorized signatory common address / telephone number etc., with no rationale. Unexplained transfers between multiple accounts with no rationale.

d) ACTIVITY IN ACCOUNTS

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. Accounts used for circular trading .

(e) NATURE OF TRANSACTIONS

Unusual or unjustified complexity. No economic rationale or bonafied purpose. Source Of funds are doubtful. Appears to be case of insider trading. Investment proceeds transferred to third party. Transactions reflect likely market manipulations. Suspicious off market transaction

(f) VALUE OF TRANSACTIONS

Value just under reporting threshold amount in an apparent attempt to avoid reporting. Large sums being transferred from overseas for making payments. Inconsistent with the client apparent financial standing. Block deal which is not at market price or prices appear to be artificially inflated /deflated.

3) Tracking and reporting suspicious transactions

We should be able to recognize or determine suspicious transactions with the help of our experience and by systematic monitoring of clients accounts. Compliance cell at head office should randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are suspicious transactions or not When clients do not cooperate in providing full and complete information we should not continue to do business with such a person and file a suspicious activity report. We should also evaluate whether there is suspicious trading to determine whether to freeze or close the account. We cannot also release securities of money that may be from suspicious trends. However staff concerned who find suspicious transactions should contact higher authorities / Principal officer at head office for determining the action to be taken.

Staff should immediately notify any suspicious transaction to Principal officer (compliance cell) at HEAD OFFICE. The report should be a detailed one with specific reference to the clients, transactions, and the nature/reason of suspicion. However we should continue to deal with the customer as normal until told otherwise by Principal officer. We should also not tell of the report or suspicion to the client .In exceptional circumstances consent may not be given to continue to operate the account and transactions suspended in one or more jurisdictions concerned in the transaction or other action taken. Further it is likely that in some cases transactions are abandoned /aborted by customers on being asked to give some details or to provide documents Such transactions also are to be reported to Principal officer. Since suspicious transaction report has to be submitted by Principal officer to FIU INDIA within 7 days of arriving at a conclusion that any transaction whether cash or non cash or a series of transactions integrally connected are of suspicious nature, Staff members have to be careful and quick in sending the report to him. Principal officer will initiate necessary action immediately on receiving report and issue further instructions after hearing from FIU to the staff concerned as how we have to go about with regard to the conduct of the account where suspicious transactions have taken place .The principal officer will take up the responsibility of complying with the reporting requirements and using the appropriate formats.

Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,

Financial Intelligence Unit-India,

6th Floor, Hotel Samrat,

Chanakyapuri,

New Delhi-110021.

Website: <http://fiuindia.gov.in>

#### RECORD KEEPING AND RETENTION OF RECORDS

As required by PML Act we have to maintain a proper record of all suspicious transactions including any transaction involving forgery of valuable security documents. Further we have to retain the following details for the accounts of our customers in order to maintain a satisfactory audit trail. a) Name of the beneficial owner of the account b) The volume of the funds flowing through the account including date and amount of transactions c) The origin of the funds d) Nature of transaction e) Margin held e) Securities retained f) And the parties to the transaction (persons authorized to operate the account on behalf of the beneficial owner) We have to maintain these records in hard and soft copies for a period of 5 years from the date of transactions between the client and us. .

Further the records of the identity of clients (KYC form, application form, client registration form, client broker agreement form, risk disclosure form, pan card copy passport copy and other similar document copies) have to be maintained in hard and soft copies for a period of 5 years from the date of cessation of the transaction between us and the client.

Similarly records of all suspicious transactions have to be maintained also for the same period indicated for retention of the records of identity of clients. In addition to this all necessary records on transactions for all accounts are to be maintained for the minimum period stipulated by other acts and SEBI .In situations where the records relate to on-going investigations or transactions which have been subject of suspicious reporting they should be retained until it is confirmed that the case has been closed.

#### INVESTOR EDUCATION:

The necessary explanations will be given to investors for collecting various documents for the purpose of PML.

#### REVIEW OF POLICY:

Policy has to be reviewed as and when amendments are received from SEBI/Exchanges/DP and to lay down procedures for their implementations and to intimate the same to staff and clients where ever necessary.

#### REFERENCE CIRCULARS:

SEBI circular no ISD/AML/CIR-1/2008 dated 19.12.2008 (Master circular on AML and CFT)

NSE circular no NSE/INVG/2009/13342 REG combating FINANCING OF TERRORISM (CFT) UNDER UNLAWFUL ACTIVITIES (PREVENTION) ACT,1967 dated 27-10-2009

NCDEX/COMPLIANCE-006/2009/334 dated 25.11.2009.

MCX/COMP/488/2009 dated 27.11.2009

NSE/INVG/13784/2009 dated 30.12.2009.

MCX-SX/COMPY/170/2009. dated 02.09.2009. Regarding additional requirements / obligations and some clarification with regard to AML and CFT OBLIGATIONS.

SEBI has issued Circular no. CIR/ISD/AML/3/2010 dated December 31, 2010

SEBI Circular no. CIR/MIRSD/1/2014 dated March 12, 2014