

## ***ANTI MONEY LAUNDERING POLICY***

### ***Prevention of Money Laundering Act, 2002***

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

Securities and Exchange Board of India has issued necessary directives vide circulars, from time to time, covering issues related to Know Your Client (**KYC**) norms, Anti- Money Laundering (**AML**), Client Due Diligence (**CDD**) and Combating Financing of Terrorism (**CFT**). SEBI has also issued a Master Circular No. CIR/ ISD/AML/3/2010 on December 31, 2010 to all intermediaries registered with SEBI u/s 12 of the SEBI Act providing Guidelines on Anti money Laundering Standards (Guidelines). This Master circular consolidates all the requirements/instructions issued by SEBI with regard to AML/CFT till January 31 2010 and supersedes the earlier circulars, dated September 01, 2009, December 19, 2008, March 20, 2006 and January 18, 2006. This Master Circular is divided into two parts; the first part is an overview on the background and essential principles that concern combating money laundering (**ML**) and terrorist financing (**TF**). The second part provides a detailed account of the procedures and obligations to be followed by all registered intermediaries to ensure compliance with AML/CFT directives

**IIFL Wealth Management Limited** being a registered intermediary will maintain a record of all the transaction; the nature & value of which has been prescribed under the Prevention of Money Laundering Act. Such transactions include:

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

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

- Maintain a record of prescribed transactions
- Furnish information of prescribed transactions to the specified authority
- Verify and maintain records of identity of clients
- Preserve the records for a period of ten years from the date of cessation of transactions with clients.
- Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of ten years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later
- Registered intermediaries shall maintain and preserve the record of documents evidencing the identity of its clients and beneficial owners (e.g., copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of Ten years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later

**The prescribed transactions include:**

- All cash transactions of the value of more than Rs. 10 lacs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other, which have been valued below Rs. 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
- All suspicious transactions whether or not made in cash.

Our Group is financial institution and intermediary registered with Securities and Exchange Board of India (SEBI) under various Regulations as also with Reserve Bank of India as a Non-Banking financial Company. It is obligatory for us to comply with the Act, Rules and the SEBI guidelines.

Pursuant to the above, the Board of Directors has adopted the policy and procedures under the

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Prevention of Money Laundering Act, the Rules made thereunder relevant SEBI / RBI directions.

It is obligatory for every employee, at all levels, to go through this Circular, understand the provisions, and co-operate in the implementation of the procedures. For any clarifications on this subject, at any point of time, you should contact the Principal Officer of the Company under the Prevention of Money Laundering Act.

**IMPORTANT PROVISIONS OF THE PREVENTION OF MONEY LAUNDERING ACT AND THE RULES MADE THEREUNDER:**

**IMPORTANT PROVISIONS OF THE ACT**

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

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

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

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

Provided that where the principal officer of a banking company or financial institution or intermediary, as the case may be, has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value so as to defeat the provisions of this section, such officer shall furnish information in respect of such transactions to the Director within the prescribed time.

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

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or intermediary, as the case may be.

**Section 13 : Powers of Director to Impose Fine :**

- (1) The Director may either of his own motion, or on an application made by an authority, officer or person call for records referred to in sub-section (1) of Section 12 and may make such inquiry or cause such inquiry to be made, as he thinks fit.
- (2) If the Director, in the course of any inquiry, finds that a banking company, financial institution or any intermediary or any of its officers has failed to comply with the provisions contained in Section 12, then without prejudice to any other action that may be taken under any other provisions of this Act, he may, by an order levy a fine on such banking company or financial institution or intermediary which shall not be less than ten thousand rupees but may extend to one lakh rupees for each failure.
- (3) The Director shall forward a copy of the order passed under sub section (2) to every banking company, financial institution or intermediary or person who is a party to the proceedings under that sub-section.

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**RULES MADE UNDER THE PREVENTION OF MONEY LAUNDERING ACT:**

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

**Definitions:**

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

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

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

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

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

- All cash transactions of the value of more than Rs. 10 lakhs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other, which have been valued below Rs. 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
- All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place
- All suspicious transactions, whether or not made in cash and by way of :

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1) deposits and credits withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of :

a) cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instruments of payment of money including electronic receipts or credits and electronic payments or debits or

b) travellers cheque, or

c) transfer from one account within the same banking company, financial institution and intermediary, as the case may be, including from or to nostro and vostro accounts, or

d) any other mode in whatsoever name it is referred to;

2) Credits or debits into or from any non-monetary accounts such as de-mat accounts, security account in any currency maintained by the banking company, financial institution and intermediary, as the case may be;

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

***Rule 4 Records containing information:***

The records referred above shall contain the following information:

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

***Rule 5 : Procedure and manner of maintaining information:***

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

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time.

- 3) It shall be the duty of every banking company, financial institution and intermediary as the case may be to observe the procedure and manner of maintaining information as specified by the RBI or the SEBI as the case may be under sub-rule (1).

**Rule 6 : Retention of records :**

The records referred to in rule 3 shall be maintained for a period of ten years from the date of cessation of the transactions between the client and the banking company, financial institution or intermediary, as the case may be.

**Rule 9: Verification of the records of the identify of clients:**

- (1) Every banking company, financial institution and intermediary as the case may be shall at the time of opening of client or executing any transaction with it, verify and maintain the record of identity and current address, or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status:  
Provided that where it is not possible to verify the identity of the client at the time of opening an account or executing any transaction, the banking company, financial institution and intermediary as the case may be shall verify the identity of the client within a reasonable time after the account has been opened or the transaction has been executed;
- (2) Where the client is an individual, he shall for the purpose of sub rule (1) submit to the banking company or the financial institution or the intermediary as the case may be, one certified copy of an officially valid document containing details of his permanent address or addresses, current address or addresses, and one copy of his recent photograph and such other documents including in respect of the nature of business and financial status of the client as may be required by the banking company or the financial institution or the intermediary as the case may be.
- (3) Where the client is a company, it shall for the purposes of sub rule (1) submit to the banking company or the financial institution or the intermediary as the case may be, three certified copies of the following documents;
  - i) certificate of incorporation
  - ii) Memorandum and Articles of Association
  - iii) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf, and
  - iv) An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.

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- (4) Where the client is a partnership firm, it shall for the purposes of sub rule (1) submit to the banking company or the financial institution or the intermediary as the case may be, three certified copies of the following documents
- i) registration certificate
  - ii) partnership deed and
  - iii) an officially valid document in respect of the person holding an attorney to transact on its behalf.
- (5) where the client is a trust it shall for the purpose of sub-rule(1) submit to the banking company, or the financial institution or the intermediary, three certified copies of the following documents ;
- i) registration certificate
  - ii) trust deed and
  - iii) an officially valid document in respect of the person holding an attorney to transact on its behalf.
- (6) Every Banking company, financial institution and intermediary as the case may be shall formulate and implement a client identification programme, which shall incorporate the requirements of the foregoing sub rules of this rule, and such other additional requirements that it considers appropriate to enable it to determine the true identify of its clients. A copy of the client identification programme shall be forwarded to the Director.

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

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

**PART : B: IMPORTANT GUIDELINES ISSUED BY SEBI**

- ***Guiding Principles:*** The Guidelines lay down the minimum requirements/disclosures to be made in respect of clients. The intermediaries may, according to their requirements specify additional disclosures to be made by clients to address concerns of Money laundering and suspicious transactions undertaken by clients.

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- Each intermediary should consider carefully the specific nature of its business, organizational structure, type of customer and transaction etc. to satisfy itself that the measures taken by them are adequate and appropriate to follow the spirit of the suggested measures and the requirements as laid down in the Act.
- Obligation to establish policies and procedures: Senior management of a registered intermediary should be fully committed to establishing appropriate policies and procedures for the prevention of money laundering and terrorist financing and ensuring their effectiveness and compliance with the relevant legal and regulatory requirements.
- The registered intermediaries should ;
  - Issue a statement of policies and procedures, on a group basis where applicable, for dealing with money laundering and terrorist financing
  - Ensure that the content of these guidelines are understood by all staff members
  - Regularly review the policies and procedures on prevention of money laundering and terrorist financing to ensure their effectiveness.
  - Adopt customer acceptance policies and procedures which are sensitive to the risk of money laundering and terrorist financing.
  - Undertake customer due diligence measures to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship/or transaction and
  - Develop staff member’s awareness and vigilance to guard against money laundering and terrorist financing.
- **Written Anti money laundering procedures** : Each intermediary should adopt written procedures to implement the anti money laundering provisions. Such procedures should include client due diligence process covering policy for acceptance of clients, procedures for identifying the clients, transaction monitoring and reporting especially suspicious transactions reporting;
  - Policy for acceptance of clients
  - Procedure for identifying the clients
  - Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)
- Please also refer to the detailed guidelines for Anti money laundering measures given by SEBI.
- **Reliance on third party for carrying out Client Due Diligence**
  - IIFL Wealth Management Limited may rely on a third party for the purpose of
    - identification and verification of the identity of a client.
    - Determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the

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beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.

- Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, it is clarified that the registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

**Policy framed based on Prevention of Money Laundering Act, 2002, the Rules framed there under and Circulars issued by Regulatory Authorities.**

**A. Designated Director**

As per the requirement of Prevention of Money Laundering Act, 2002, a Designated Director will be appointed and informed to FIU. Designated Director will ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules.

**B. Principal Officer**

The company has designated a Principal Officer who shall be responsible for implementation and compliance of this policy. The Principal Officer shall have access to and be able to report to senior management/ Board of Directors. His illustrative duties will be as follows:

- Monitoring the effective implementation of Anti Money Laundering Policy
- To ensure compliance with Anti Money Laundering Policy, including testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and / or irregular transactions, the quality of reporting suspicious transactions and the level of awareness of front line staff of their responsibilities in this regard.
- Reporting of transactions and sharing of information as required under the law
- Liasoning with law enforcement agencies
- Ensuring submission of periodical reports to Top Management. The monthly compliance report shall henceforth mention if any suspicious transactions are being looked into by the respective business groups and if any reporting is to be made to the authorities.
- Providing clarifications / training to staff members on the provisions of the Act, Rules,

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Guidelines and the policy of the company

### **C. Risk Assessment**

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

Security Council Resolutions (these can be accessed at [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml) and <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.

### **D. Customer Due Diligence**

#### **1. New customer acceptance procedures adopted include following processes:**

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed in the United Nations website at <http://www.un.org/sc/committees/1267/consolist.shtml>. Before opening any new account, it will be ensured that the name/s of the proposed customer does not appear in the list. Further, continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list should immediately be intimated to SEBI and FIU-IND

- i. Customer identification and verification depending on nature /status of the customer and kind of transactions that are expected by the customer. Also at the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship.

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- ii. One certified copy of an 'officially valid document' containing details of his identity and address, one recent photograph and such other documents including in respect of the nature of business and financial status of the client.
- iii. False / incorrect identification of documents
- iv. Client should remain present for registration personally
- v. Compliance with guidelines issued by various regulators such as SEBI, FIU, RBI etc.
- vi. Establishing identity of the client, verification of addresses, phone numbers and other details.
- vii. Obtaining sufficient information in order to identify persons who beneficially own or control the trading account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by entity other than the client  
 Verify the client's identity using reliable, independent source documents, data or Information  
 Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted –  
 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:
  - 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 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
    - ii. more than 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 (aa) 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.
  - Where no natural person is identified under clauses (aa) or (bb) above, the identity of the relevant natural person who holds the position of senior managing official.
- viii. Verification of the genuineness of the PAN provided by the client such as comparing with original PAN, checking details on the Income tax website etc.
- ix. Checking original documents before accepting a copy.

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- x. Asking for any additional information as deemed fit on case to case basis to satisfy about the Genuineness and financial standing of the client.
- xi. Whether the client has any criminal background, whether he has been at any point of time been associated in any civil or criminal proceedings anywhere.
- xii. Checking whether at any point of time he has been banned from trading in the stock market.

And

**in all other cases, verify identity while carrying out:**

- i. transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or
- ii. any international money transfer operations.

(1 A) Identify the beneficial owner and take all reasonable steps to verify his identity.

(1 B) Ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that the same is consistent with knowledge of the customer, his business and risk profile.

(1 C) Member shall keep any anonymous account or account in fictitious names.

**2. For existing clients processes include:**

- i. Review of KYC details of all the existing active clients in context to the PMLA 2002 requirements.
- ii. Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc. for closer monitoring of high risk categories.
- iii. Obtaining of annual financial statements from all clients, particularly those in high risk categories.
- iv. In case of non-individuals client additional information about the directors, partners, dominant promoters, major shareholders is obtained.
- v. To Obtain Aadhaar number as required by the Ministry of Finance gazette notification dated June 1, 2017 (BSE notice no.20170817-36 dated August 17, 2017)

**E. Risk based approach:**

Following Risk based KYC procedures are adopted for all clients:

- i. Large number of accounts having a common account holder
- ii. Unexplained transfers between multiple accounts with no rationale
- iii. Unusual activity compared to past transactions

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- iv. Doubt over the real beneficiary of the account
- v. Pay-out/pay-in of funds and securities transferred to /from a third party
- vi. Off market transactions especially in illiquid stock and in F & O, at unrealistic prices
- vii. Large sums being transferred from overseas for making payments
- viii. Inconsistent with the clients' financial background

**F. Clients of special category (CSC)**

- i. Non-resident clients,
- ii. High net-worth clients,
- iii. Trust, Charities, NGOs and organizations receiving donations,
- iv. Companies having close family shareholdings or beneficial ownership,
- v. Politically exposed persons (PEP). Politically exposed persons 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. The additional norms applicable to PEP as contained in the
- vi. subsequent clause 5.5 (Page 19 of the Master Circular) shall also be applied to the accounts of the family members or close relatives of PEPs,
- vi. Companies offering foreign exchange offerings,
- vii. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, 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 reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centres, tax havens, countries where fraud is highly prevalent,
- viii. Non-face to face clients,
- ix. Clients with dubious reputation as per public information available etc.
- x. Where the client is a juridical person, verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person.

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**G. Monitoring & Reporting of Suspicious Transactions:**

“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 proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- ii. appears to be made in circumstances of unusual or unjustified complexity; or
- iii. appears to have no economic rationale or bonafide purpose; or
- iv. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;’.

Ongoing monitoring of accounts which includes

- i. Identification and detection of apparently abnormal transactions.
- ii. Generation of necessary reports/alerts based on clients’ profile, nature of business, trading pattern of clients for identifying and detecting such transactions. These reports/alerts are analyzed to establish suspicion or otherwise for the purpose of reporting such transactions.

Following parameters are used:

- i. Clients whose identity verification seems difficult or clients appear not to cooperate
- ii. Substantial increase in activity without any apparent cause
- iii. Large number of accounts having common parameters such as common partners / directors / promoters / address / email address / telephone numbers / introducers or authorized signatories;
- iv. Transactions with no apparent economic or business rationale
- v. Sudden activity in dormant accounts;
- vi. Source of funds are doubtful or inconsistency in payment pattern;
- vii. Unusual and large cash deposits made by an individual or business;
- viii. Transfer of investment proceeds to apparently unrelated third parties;

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- ix. Multiple transactions of value just below the threshold limit of Rs 10 Lacs specified in PMLA so as to avoid possible reporting;
- x. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- xi. Purchases made on own account transferred to a third party through off market transactions through DP Accounts;
- xii. Suspicious off market transactions;
- xiii. Large deals at prices away from the market
- xiv. Accounts used as 'pass through'. Where no transfer of ownership of securities or trading is occurring in the account and the account is being used only for funds transfers/layering purposes.
- xv. All transactions involving receipts by non-profit organizations of value more than rupees ten lakh, or its equivalent in foreign currency;
- xvi. clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect, or which do not or insufficiently apply FATF standards, as 'Clients of Special Category'. Such clients should also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.
- xvii. Irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, file STR if we have reasonable grounds to believe that the transactions involve proceeds of crime."

#### **H. Reporting of Suspicious Transactions:**

- i. All suspicious transactions will be reported to FIU. Member and its employees shall keep the fact of furnishing information in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 strictly confidential.
- ii. The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents should be made available to auditors and also to SEBI /Stock Exchanges/FIU-IND/Other relevant Authorities, during audit, inspection or as and when required. These records are required to be preserved for **Five years** as is required under PMLA 2002.

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- iii. The Principal Officer and related staff members shall have timely access to customer identification data and other CDD information, transaction records and other relevant information. The Principal Officer shall have access to and be able to report to senior management above his/her next reporting level or the Board of Directors.

**I. Ongoing training to Employees:**

- i. Importance of PMLA Act & its requirement to employees through training.
- ii. Ensuring that all the operating and management staff fully understands their responsibilities under PMLA for strict adherence to customer due diligence requirements from establishment of new accounts to transaction monitoring and reporting suspicious transactions to the FIU.
- iii. Organising suitable training programmes wherever required for new staff, front-line staff, supervisory staff, etc.

**J. Audit and Testing of Anti Money Laundering Program.**

The Anti Money Laundering program is subject to periodic audit, specifically with regard to testing its adequacy to meet the compliance requirements. The audit/testing is conducted by Trading Member's own personnel not involved in framing or implementing the AML program. The report of such an audit/testing is placed for making suitable modifications/improvements in the AML program.

**K. Maintenance of record of transactions prescribed under Rule 3 of PML Rules as mentioned below:**

- i. all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- ii. all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- iii. 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;
- iv. all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

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## **L. Appointment of a Designated Director**

In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under:

“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 —

- (i) The Managing Director or a Whole-time Director duly authorized by the Board of Directors if the reporting entity is a company,
  - (ii) The managing partner if the reporting entity is a partnership firm,
  - (iii) The proprietor if the reporting entity is a proprietorship concern,
  - (iv) The managing trustee if the reporting entity is a trust,
  - (v) A person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and
  - (vi) Such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above.”
- We have appointed Principal officer Mr. Dinesh Tanwar and has been inform to FIU – Delhi

## **M. Investors Education:**

As the implementation of AML / CFT measures being sensitive subject and requires us to demand and collect certain information from investors which may be of personal in nature or has hitherto never been called for, which information include documents evidencing source of funds / income tax returns / bank records etc. and can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need for us to sensitize the clients about these requirements, as the ones emanating from AML and CFT framework. We shall circulate the PMLA Circulars and other specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT program. The same shall also be emphasized on, in the Investor Awareness Programmes conducted by us at frequent intervals of time. The importance of the same is also made known to them at the time of opening the Account.

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#### **N. Procedure for freezing of funds, financial assets or economic resources or related services**

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:ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously.

#### **O. Others**

This Policy is to be made available to the persons engaged in the depository operations for compliance purpose

Clients are to be categorized into low, medium and high risk based on perceived risk depending upon client's background, type of business activity, transaction etc. The Company shall put in place a system of periodical review of risk categorization of accounts, with such periodicity being at least once in 2 Years and the need for applying enhanced due diligence measures

The periodicity of updating of documents taken during the client due diligence (CDD) process will be every year

This PMLA policy will be reviewed yearly basis and or based on circulars issued by statutory authority from time to time and this updated policy should be approved in the meeting of Board of Directors.

All the clauses of this PMLA Policy should be reviewed periodically. Review of policy is to be done by any official other than the official who originally drafted the policy

In the case of any further information /clarification is required in this regard, the "Principal Officer" may be contacted for any information or clarification on the company's Anti Money Laundering Policies, contact / write to the following address:

The Principal Officer / Designated Director shall submit Suspicious Transactions Report (STR) and Cash Transaction Report (CTR) within the time frame prescribed under the Rules, to the Director, Financial Intelligence Unit (FIU), India in manual and electronic format.

No restrictions shall be placed on clients whose transactions have been reported to FIU – IND. No tipping off to the client should be done at any level.

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Irrespective of the amount of transaction and / or the threshold limit envisaged for predicate offences, reporting shall be done if the Principal officer believes that the transaction involves proceeds of crime.

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Legal & Compliance Dept.  
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Ph- 022 39585717  
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