

Statement of policies and procedures for dealing with Money Laundering and Terrorist Financing under Prevention of Money Laundering Act, 2002 (PMLA – 2002)

1. Principal Officer

A senior executive of the concern having sufficient knowledge and skill shall be appointed as 'Principal Officer' who shall play an active role in identification and assessment of potentially suspicious transactions and shall act as central reference point in facilitating onward reporting of suspicious transactions.

2. Customer Due Diligence

A. Acceptance of clients

- i) Reference from reliable source shall be obtained before accepting a client
- ii) Reference to the banned list put out by SEBI/NSE and other regulatory bodies to ensure that the entity does not figure in that list
- iii) Obtaining Proof of identity issued by approved authorities as detailed in KYC guidelines and verifying the same with original documents
- iv) PAN verification from PAN data of NSDL
- v) Obtaining Proof of residence as detailed in KYC guidelines and verifying the same with original documents
- vi) In person verification by authorised personnel of the firm to establish the identity and authenticity of the declarations made by the client and to ensure that no account is opened in a fictitious/benami name or on an anonymous basis
- vii) Account not to be opened if the above documents/procedures could not be ensured or if there is non co-operation from the client in providing full and complete information or where information provided is suspected to be non-genuine. And in case of existing account, it is to be frozen and discontinued and a suspicious activity report to be filed and advice sought from regulatory authorities regarding course of action.

B. Identifying the clients

- i) Customers identity to be verified using reliable independent source documents, data or information and sufficient information to be obtained in order to ascertain whether persons other than the client owns or controls securities account and whenever it is apparent that the securities acquired or maintained through an account are beneficially owned and controlled by a party other than client, the third party should be identified using client identification and verification procedures.
- ii) Screening of all clients on risk perception parameter and identifying clients with high and / or more than normal i.e. Medium risk potential and clients of special category and putting them into separate categories for enhanced and sustained monitoring. Factors to be considered in putting a client into High / Medium category to include clients location, clients background, nature of business activities, trading turnover, manner of making payments etc.

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- iii) Client of special category (CSC) to include:
 - i) Non resident clients
 - ii) High Net Worth clients
 - iii) Trusts, charities, NGO's etc receiving donations – especially foreign donations
 - iv) Politically Exposed / Public renown persons and persons / entities connected with them
 - v) Companies offering foreign Exchange offerings
 - vi) Clients in High risk countries
 - vii) Non face to face clients
 - viii) Clients with dubious reputation as per public information available.
- iv) Opening and continuance of accounts of High / Medium risk clients and clients of special categories shall be with the express approval of the proprietor or senior management personnel authorised in this behalf by the proprietor and enhanced customer due diligence process have to be applied.

3. Monitoring of Transactions & Reporting

- i) The principal officer shall regularly monitor normal activities of the client and any deviant transactions/ activities, having regard to the nature of business and financial capability of the respective client, shall be enquired into and analysed to establish suspicion or otherwise for the purpose of reporting such transaction
- ii) The principal officer shall pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose and alerts / reports of such transaction shall be generated and analysed to establish suspicion or otherwise for the purpose of reporting such transactions.
- iii) There shall be a continuous monitoring and scrutiny of all transactions of High Risk and CSC clients throughout the course of business relationship to ensure that the transactions being conducted are consistent with the clients business and risk profile, taking into account, if necessary, the clients source of funds.
- iv) Alerts and records shall be generated for the following type of transaction :
 - a) All cash transactions of the value of more than Rs.10 lacs or its equivalent in foreign currency
 - b) 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 takes place within one calendar month.
 - c) All Transaction suspicious in nature as per law
 - d) Any unusually large transaction
- v) Record of such transaction shall be generated, analysed and preserved with appropriate remarks by the principal officer and such records shall be preserved and maintained in terms of section 12 of the PMLA, 2002. Reporting of cash and suspicious transaction, wherever required, shall be as per specified format and within the time limit as per law.

4. Record Keeping

- i) Records sufficient to permit reconstruction of individual transaction shall be maintained and all customer and transaction records and information shall be made available to the investigating authorities on a timely basis.
- ii) It is to be ensured that record keeping requirements contained in SEBI Act, 1992, PML Act, 2002 as well as other relevant legislation are adhered to and complied with
- iii) In case of cash and/ or suspicious transactions referred to in Rule 3 of PMLA Rules, and mentioned in para 3(iv) above, proper information and records as to the nature of transactions, amount of transaction, date of transaction and parties involved shall be maintained and preserved in a manner that allows easy and quick retrieval of data as and when required and shall be preserved for a period of at least 10 years or such extended time as may be prescribed.

5. Reporting to FIU, India

Report of all cash and suspicious transactions as referred to in Rule 3 of PMLA Rules and as recorded in para 3(iv) above, shall be sent to the designated authority in Financial Intelligence Unit – India in the prescribed format and within the stipulated time as per PML Rules and circulars issued thereunder.

6. Employee's Hiring, Training & Investor Education

- i) Employees to be hired after adequate screening to ensure high standards and competence.
- ii) Employees to be adequately trained in AML and CFT procedures and it should be an ongoing process.
- iii) Whenever required, customers should be made aware of the objectives of AML/CFT programme.

7. General

- i) The guidelines formulated hereinabove shall be communicated and explained to all levels of personnel including branch level and it is to be ensured that they are installed and adhered to at all levels.
- ii) As a rule and best practice code, no cash transaction is to be allowed. However, in case of extraneous circumstances, cash transaction may be allowed with the approval of principal officer designated under PMLA guidelines and within the limit prescribed in Rule 3 of PML Rules, 2005. A Register with details of all cash transactions will be kept wherein the principal officer shall enter his comments and follow up action, if any.
- iii) All personnel including branch manager and traders shall keep watch on any client trading beyond normal volume specially as regards delivery volumes and will bring it to the notice of principal officer who will investigate the transactions. Register of such reporting of suspicious transaction shall be maintained wherein shall be recorded all such reports of suspicious transaction and findings by principal officer and follow up action, if any.
- iv) The policies framed under PMLA and recorded hereinabove shall be reviewed periodically and modification / changes deemed necessary shall be brought in and recorded.