Indo Thai Securities Limited

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ANTI MONEY LAUNDERING POLICY & PROCEDURE OF INDO THAI SECURITIES LIMITED

1. INTRODUCTION

1.1. The prevention of Money Laundering Act, 2002 and the Rules framed thereunder forms the core of the legal framework put in place by India to combat Money Laundering PMLA 2002. The Act as outline a general background and summary of the main provisions of the applicable Anti Money Laundering and Anti Terrorist Financing Legislation in India. They also provide guidance on the practice implications of the Prevention of Money Laundering Act, 2002(**PMLA**). The directives also set out the steps that a registered intermediary or its representatives shall implement to discourage and indentify any Money Laundering or Terrorist Activities. Indo Thai Securities Limited follows the directives and amendments as issued by the SEBI, FMC, and FIU form time to time.

1.2. The Rules notified under PMLA 2002 imposes an obligation on registered intermediary that, "one-size-fits-all" approach will not be appropriate for each intermediary and accordingly our Company will take all the adequate, appropriate measures as per the requirements of PMLA.

2. BACK GROUND

The PMLA came into effect from 1st July 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on 1st July, 2005 by the Department of Revenue, Ministry of Finance, Government of India. The PMLA has been further amended vide notification dated March 6, 2009 and inter alia provides

that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as prescribed in Section 12 A read with Section 24 of the Securities and Exchange Board of India Act, 1992 **(SEBI Act)** will now be treated as a scheduled offence under schedule B of the PMLA. As per the provisions of the PMLA, 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 SEBI Act , shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA . Such transactions include:

- 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 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 demat account, security account maintained by the registered intermediary.

  It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered. In case there is a variance in CDD/AML standards prescribed by SEBI and the regulators of the host country, branches/overseas subsidiaries of intermediaries are required to adopt the more stringent requirements of the two.

  This Policy only supplements the existing SEBI / FIU guidelines relating to KYC/AML and any subsequent guidelines from the date of the Policy on

KYC/AML will be implemented immediately, with subsequent ratification by the Board. Extant regulations will at any point in time override this Policy.

Hence the objective of the policy is to –

- To have a proper Customer Due Diligence (CDD) process before registering clients.
- To monitor/maintain records of all cash transactions of the value of more than Rs.10 lacs.
- To maintain records of all series of integrally connected cash transactions within one calendar month.
- To monitor and report suspicious transactions.
- To discourage and identify money laundering or terrorist financing activities.
- To take adequate and appropriate measures to follow the spirit of the PMLA.

3. DEFINITIONS

- **Money Laundering:** Section 3 of the PMLA defines money laundering in following words:
  "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".

- **Suspicious transactions**: 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.

4. WHY "KNOW YOUR CUSTOMER"

4.1 One of the best methods of preventing and deterring money laundering is a sound knowledge of a customer's business and pattern of financial transactions. The adoption of procedures by which financial institutions "know their customer" is not only a principle of good business but is also an essential tool to avoid involvement in money

5. POLICIES AND PROCEDURES TO COMBAT MONEY LAUNDERING AND TERRORIST FINANCING

a. Essential Principles

i. These Directives have taken into account the requirements of the PMLA as applicable to the intermediaries registered under Section 12 of the SEBI Act. The detailed Directives in Part II have outlined relevant measures and procedures to guide the registered intermediaries in preventing ML and TF. Each intermediary shall consider carefully the specific nature of its business, organizational structure, type of client and transaction, etc. to satisfy itself that the measures taken by it are adequate and appropriate and follow the spirit of the suggested measures in Part II and the requirements as laid down in the PMLA.

b. Obligation to establish policies and procedures

i. Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial

institutions, including securities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that all intermediaries ensure the fulfillment of the aforementioned obligations.

ii. To be in compliance with these obligations, the senior management of a registered intermediary shall be fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The Registered Intermediaries shall:

a. issue a statement of policies and procedures, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements;

b. ensure that the content of these Directives are understood by all staff members;

c. regularly review the policies and procedures on the prevention of ML and TF **on yearly basis** to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures;

d. adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF;

e. undertake client due diligence ("CDD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction;

f. have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and

g. develop staff members' awareness and vigilance to guard against ML and TF

iii. Policies and procedures to combat ML shall cover:

a) Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;
b) Client acceptance policy and client due diligence measures, including requirements for proper identification;
c) Maintenance of records;
d) Compliance with relevant statutory and regulatory requirements;
e) Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and
f) Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the 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 of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

PART - II DETAILED DIRECTIVES

6. WRITTEN ANTI MONEY LAUNDERING PROCEDURES

a. The Company adopts written procedures to implement the anti money laundering provisions as envisaged under the PMLA. Such procedures include inter alia, the following three specific parameters which are related to the overall **'Client Due Diligence Process'**:

a. Policy for acceptance of clients
b. Procedure for identifying the clients
c. Transaction monitoring and reporting especially Suspicious Transactions Reporting **(STR).**

7. CLIENT DUE DILIGENCE

a. The CDD measures comprise the following:

a) In person verification is to be carried out as per the requirements of the regulators. Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
b) Verify the client's identity using reliable, independent source documents, data or information;
c) 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;
d) Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c);
e) Understand the ownership and control structure of the client;
f) Conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of the business

relationship to ensure that the transactions being conducted are consistent with the company's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and

g) The Company **shall** update all documents, data or information of all clients and beneficial owners collected under the CDD process **on yearly basis**.

h) INDO THAI SECURITIES LIMITED shall not open an account or shall close an existing account where INDO THAI SECURITIES LIMITED is unable to apply appropriate customer due diligence measures i.e. INDO THAI SECURITIES LIMITED is unable to verify the identity and / or obtain documents required as per the risk categorization due to non cooperation of the customer or non reliability of the data / information furnished to INDO THAI SECURITIES LIMITED.

b. Policy for acceptance of clients:

i.The Company develops client acceptance policies and procedures that aim to identify the types of clients that are likely to pose a higher than average risk of ML or TF. By establishing such policies and procedures, they will be in a better position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. In a nutshell, the following safeguards are to be followed while accepting the clients:

a) No account is opened in a fictitious / benami name or on an anonymous basis.

b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such

clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.

Category Type	Income Range	Risk
A	Below Rs. 1 Lac	Very High Risk
B	Rs. 1 lac to Rs. 5 Lacs	High Risk
C	Rs. 5 Lacs to Rs. 10 Lacs	Medium Risk
D	Rs. 10 Lacs to Rs. 25 Lacs	Moderate Risk
E	Above Rs. 25 Lacs	Low Risk

c) Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.

d) The Company ensures that an account will not be opened where appropriate CDD measures / KYC policies are not complied. This is applicable in cases where it is not possible to ascertain the identity of the client, or the information provided to the Company is suspected to be non genuine, or there is perceived non co-operation of the client in providing full and complete information, we will not continue to do business with such a person and file a suspicious activity report. In case of suspicious trading our company will determine whether to freeze or close such account, will not return securities of money and consult the relevant authorities in determining what action to be taken in such case.

e) The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with the Company, as well as the person on whose behalf the agent is acting shall

be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.

f) The Company checks and balance to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.

g) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

h) **Ongoing due diligence and scrutiny**:

We shall conduct periodic due diligence and scrutiny of client's transaction and accounts to ensure that transactions are being conducted in knowledge, to find out the risk profile, source of funds, etc. At regular interval, ongoing due diligence and scrutiny needs to be conducted i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the Organization's knowledge of the client, its business and risk profile, taking into account, where necessary, the customer's source of funds.

For all clients applying for trading rights in the futures and options segments, further details as regards their proof of income and source of funds would be required.

c. Risk-based Approach

i. It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. The Company applies each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the Company adopts an enhanced client due diligence process for higher risk categories of

clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that we will obtain necessarily depend on the risk category of a particular client.

Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk.

ii. **Risk Assessment**

i.) The Company carries out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions (these can be accessed at http://www.un.org/sc/committees/1267/aq sanctions list.shtml and http://www.un.org/sc/committees/1988/list.shtml)

ii.) The risk assessment considers 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 will be documented, updated regularly and made available to competent authorities and self regulating bodies, as and when required.

d. Clients of special category (CSC):

Such clients include the following

I. Non Resident clients

II. High net-worth clients,

III. Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations

IV. Companies having close family shareholdings or beneficial ownership

V. Politically Exposed Persons **(PEP)** 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 subsequent Para 5.5 of this 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, 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 centers, tax havens, countries where fraud is highly prevalent. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, the Company apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org), shall also independently access and consider other publicly available information.

VIII. Non face to face clients

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

The above mentioned list is only illustrative and the Company will exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.

e. Client identification procedure:

The KYC policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data. The Company comply the following requirements while putting in place a Client Identification Procedure **(CIP)**:

a) We proactively put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPS. Further, the enhanced CDD measures as outlined in clause 5.5 shall also be applicable where the beneficial owner of a client is a PEP.

b) We obtains senior management approval for establishing business relationships with PEPs. Whenever a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, senior management approval will be taken to continue the business relationship.

c) We takes reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.

d) We identifies the clients by using reliable sources including documents / information and obtains adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

e) The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the Company in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.

f) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the company.

i. SEBI has prescribed the minimum requirements relating to KYC for certain classes of registered intermediaries from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, we frame our own internal directives based on their experience in dealing with our clients and legal requirements as per the established practices. Further, we conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective is to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that our company is aware of the clients on whose behalf they are dealing.

ii. The Company has formulated and implemented a CIP which includes the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients of the banking companies, financial institutions and intermediaries of securities market and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients. PML Rules have recently been amended vide notification No. 13/2009 dated November 12, 2009 is already been adhered.

iii. It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to the Company (brokers, depository participants) from obtaining the minimum information/documents from clients as stipulated in the PML Rules/SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by the Company. The above is strictly followed and non-compliance shall attract appropriate sanctions.

f. Reliance on third party for carrying out Client Due Diligence (CDD)

I. The Company rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) 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 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.

II. 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 Company is ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

8. RECORD KEEPING

a. The Company complies with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PMLA as

well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

b. The Company maintains sufficient records to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior.

c. In case of any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, we retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

a) the beneficial owner of the account;
b) the volume of the funds flowing through the account; and
c) for selected transactions:

- the origin of the funds;
- the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
- the identity of the person undertaking the transaction;
- the destination of the funds;
- the form of instruction and authority.

d. The Company ensures that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

e. More specifically, we put in place a system of maintaining proper 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 Lacs or its equivalent in foreign currency;

ii. all series of cash transactions integrally connected to each other which have been valued below rupees ten lacs 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 lacs;

iii. all cash transactions were 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.

9. INFORMATION TO BE MAINTAINED

The Company maintains and preserves the following information in respect of transactions referred to in Rule 3 of PML Rules:

I. the nature of the transactions;
II. the amount of the transaction and the currency in which it is denominated;
III. the date on which the transaction was conducted; and
IV. the parties to the transaction.

10. RETENTION OF RECORDS

a. The Company takes appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a

manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and intermediary.

b. As stated in sub-section 5.5, the Company has formulated and implemented the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. 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 five years after the business relationship between a client and

Company has ended or the account has been closed, whichever is later."

c. Thus the following document retention terms shall be observed:

a) All necessary records on transactions, both domestic and international, is maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.

b) The Company maintains and preserves 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 five years after the business relationship between a client and the company has ended or the account has been closed, whichever is later.

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

a. **Records of information reported to the Director, Financial Intelligence Unit - India (FIU-IND):**

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

11. MONITORING OF TRANSACTIONS

a. Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. This is possible only if the Company has an understanding of the normal activity of the client so that it can identify deviations in transactions /activities.

b. The Company pays special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. We specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. 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 shall be made available to auditors and also to SEBI/stock exchanges/FIUIND/ other relevant Authorities, during audit, inspection or as and when required. These records are required to be maintained

and preserved for five years from the date of transaction between the client and the Company.

c. The Company ensures a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and those transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions are regularly reported to the higher authorities of the company.

d. Further, the compliance cell of the Company randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

12. SUSPICIOUS TRANSACTION MONITORING & REPORTING

a. The Company ensures that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, we are guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

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

a. Clients whose identity verification seems difficult or clients that appear not to cooperate

b. Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;

c. Clients based in high risk jurisdictions;

d. Substantial increases in business without apparent cause;

e. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;

f. Attempted transfer of investment proceeds to apparently unrelated third parties;

g. Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export- import of small items.

c. Any suspicious transaction will be immediately notified to the Money Laundering Control Officer or any other designated officer within the company. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Principal Officer/Money Laundering Control Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

d. It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. It is clarified that the Company will report all such attempted transactions in

STRs, even if not completed by clients, irrespective of the amount of the transaction.

e. Clause 5.4(vii) of the Master Circular categorizes 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 'CSC'. We are directed that such clients shall 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.

13. LIST OF DESIGNATED INDIVIDUALS/ENTITIES

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 the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at http://www.un.org/sc/committees/1267/consolist.shtml . The Company ensures that accounts are not opened in the name of anyone whose name appears in said list. We 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 shall immediately be intimated to SEBI and FIU-IND.

14. PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES

Section 51A, of the Unlawful Activities (Prevention) Act, 1967 **(UAPA),** relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the

Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA. Under the aforementioned Section, 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 obligation to be followed by the Company is 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.

15. REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA

a. In terms of the PML Rules, the Company requires to Report information relating to cash and suspicious transactions to the Director, 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

b. The Company carefully go through all the reporting requirements and formats enclosed with this circular. These requirements and formats are divided into two parts- Manual Formats and Electronic Formats. Details

of these formats are given in the documents (Cash Transaction Report- version 1.0 and Suspicious Transactions Report version 1.0) which are also enclosed with this circular. These documents contain detailed directives on the compilation and manner/procedure of submission of the manual/electronic reports to FIU-IND. The related hardware and technical requirement for preparing reports in manual/electronic format, the related data files and data structures thereof are also detailed in these documents. Intermediaries, which are not in a position to immediately file electronic reports, may file manual reports with FIU-IND as per the formats prescribed. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, intermediaries shall adhere to the following:

a) The Cash Transaction Report **(CTR)** (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.

b) The Suspicious Transaction Report **(STR)** shall be submitted 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. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.

c) The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;

d) Utmost confidentiality shall be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.

e) No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious transactions to be reported.

c. The Company does not put any restrictions on operations in the accounts where an STR has been made. The Company and its directors, officers and employees (permanent and temporary) shall be prohibited from disclosing ("tipping off") the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level. It is clarified that the Company, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

16. DESIGNATION OF AN OFFICER FOR REPORTING OF SUSPICIOUS TRANSACTIONS

As required by the Prevention of Money Laundering Act, 2002 the compliance officer of the Company **Mr. Hemant Agrawal** will be the Principal Officer.

a. The Company properly discharge their legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors. Names, designation and addresses (including email addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, it is advisable that the 'Principal Officer' is of a sufficiently

senior position and is able to discharge the functions with independence and authority.

b. Appointment of a Designated Director

I. In addition to the existing requirement of designation of a Principal Officer, the Company also designates **Mr. Dhanpal Doshi** 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 —

II. In terms of Section 13 (2) of the PML Act (as amended by the Prevention of Money-laundering (Amendment) Act, 2012), the Director, FIU-IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the company to comply with any of its AML/CFT obligations.

III. The Company has communicated the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND

17. EMPLOYEES' HIRING/EMPLOYEE'S TRAINING/ INVESTOR EDUCATION

a. Hiring of Employees

The Company has adequate screening procedures in place to ensure high standards when hiring employees. They shall identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

b. Employees' Training

The Company has an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements shall have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

c. Investors Education

Implementation of AML/CFT measures requires intermediaries to demand certain information from investors which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, the Company sensitize their clients about these requirements as the ones emanating from AML and CFT framework. We also prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme.

18. MAKING AVAILABLE THE AADHAR NUMBER, PERMANENT ACCOUNT NUMBER OR FORM 60

18.1 SEBI vide circular no. SEBI/HO/MIRSD/DOSR1/CIR/P/2018/93 dated June 6, 2018 has made it mandatory to make available the **Aadhar Number** issued by Unique Identification Authority of India and **Permanent Account Number** or **Form No. 60 for both new and existing accounts with the financial market intermediaries including securities market intermediaries.**

Therefore for the purpose of adherence with the circular the Company shall make it mandatory to provide the Aadhar Number and Permanent Account or Form No. 60 for both new and existing account.

18.2 The above mentioned circular also provides a list of deemed **"Officially Valid Documents"** (OVDs) for limited purpose of proof of address which can be submitted at the time of opening of new account. The list is as elucidated under:

i. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);

ii. Property or Municipal tax receipt;

iii. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;

iv. Letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;

The Company shall accept such certified copy of above mentioned OVD's at the time of opening of account, provided, the client shall submit updated officially valid document with current address within a period of **three months** of submitting the above documents.

18.3 Self attested copy of PAN card is mandatory for all clients, including Promoters/Partners/Karta/Trustees and whole time directors and persons authorized to deal in securities on behalf of company/firm/others for KYC process.

Note: - This policy is reviewed in the meeting of the Board of Directors held on 27th June, 2018.

//The End //