

Policy on Prevention of Money Laundering

Prevention of Money Laundering Act and Rules framed there under have come into force with effect from July 01, 2005. The Act and Rules cast certain obligations on securities market intermediaries to put in place systems and procedures to combat money laundering and monitor and report certain transactions. The thrust for the implementation of Anti Money Laundering Policy is on the following

Designation of 'Principal Officer' and 'Designated Director' as required under the Prevention of Money Laundering Act.

- Customer Due Diligence/KYC Standards
- Monitoring of transactions for detecting suspicious transactions
- Reporting of suspicious transactions.
- Ongoing training of employees
- Audit/Testing of AML Program

In this regard we hereby adopt the following procedures that should be followed by us in our organization-

Appointment of Principal officer (PO)

Mr. VIVEK BAJAJ is appointed the **Principal Officer** who will look after and shall guide for Prevention of Money Laundering.

Appointment of Designated Director

The Board of Directors has appointed Mr Bipin Kumar Bajaj and Mr Vivek Bajaj as the Designated under the Act & PMLA Rules. Designated Directors of the company to ensure overall compliance with the regulations under the Act.

Policies and Procedures

Further for effective implementation of the rules & regulations, we shall adopt following policies

Client Due Diligence (CDD)

Monitoring & Reporting of Suspicious transactions

Record keeping

Ongoing training

Audit of AML program

In conjunction to the above, we hereby adopt the following procedures that should be followed by us in our organization

Know Your Client (KYC) should be completed before opening of any new account and shall be complete in all respects

In-person verification of the clients will be done before opening of any new account by our

authorized staff only. Third party cheques shall not be accepted
Delivery from third party demat accounts shall not be accepted, other than the respective client.
There shall be no cash dealings with clients.
PAN Card and identity proof of clients to be obtained.
We shall on regular intervals assess our transactions and dealings with clients and other intermediaries.
We shall follow all the rules and regulations given by Statute and all other regulatory bodies.

The detailed guidelines are underlined below:

Customer Due Diligence(CDD)

Client Identification :

New customer acceptance procedures, inter alia, could include processes

To cover customer identification and verification depending on nature /status of the customer and kind of transactions that are expected by the customer.

To comply with guidelines issued by various regulators such as SEBI, RBI etc. SEBI has prescribed the minimum requirements relating to KYC and no account shall be activated unless the documentary requirements are fulfilled by the client. The PAN of the client is required to be verified from www.incometaxindiaefiling.gov.in

For clearly establishing identity of the client, verification of addresses, phone numbers and other details.

To obtain 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.
a. The beneficial owner has been defined as the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a legal person or arrangement. The identification and verification of beneficial owner shall be done as below:-

In case of clients other than individuals or trusts viz corporate, partnership, Association of persons etc. beneficial owner is the natural person who exercises control through ownership or who ultimately has a controlling ownership interest. Controlling ownership interest means ownership/entitlement to:-

- More than 25% of share/capital/profit in case of Company client
- More than 15% of capital/profit in case of partnership client
- More than 15% of property/capital/profit in case client is unincorporated association or body of individual

In case of doubt regarding controlling ownership interest or where no natural person exerts control through ownership interests, the beneficial owner is the natural person who exercises control through other means.

In case no natural person is identified as per above then natural person who holds the position of senior managing official is identified.

For client which is Trust the identity of settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other person exercising ultimate effective control over the trust through a chain of control or ownership is identified

For clients or its controlling interest holder which is a listed company or is a majority owned subsidiary of such a company, we do not verify the identity of any share holder or beneficial holder of the company as such client is exempt from verification of beneficial owner.

For Foreign clients like FII, Sub Account, Qualified FI we shall identify beneficial ownership of the client as per detailed clarification issued by SEBI vide Circular CIR/MIRSD/11/2012 dated 05.09.2012

For verifying the genuineness of the PAN provided by the client such as comparing with original PAN, checking details on the Income tax website etc.

To check original documents before accepting a copy,

Apart from the mandatory information specified by SEBI, members should ask for any additional information as deemed fit on case to case basis to satisfy themselves about the genuineness and financial standing of the client.

To check 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.

To check whether at any point of time he has been banned from trading in the stock market.

Reluctance on the part of the client to provide necessary information or cooperate in verification process could generate a red flag for the member for additional monitoring.

Clear processes for introduction of clients by employees.

Risk based KYC procedures should be adopted for all new clients.

All payout/payin of securities/funds are done through the registered demat/bank details provided by the client at the time of activation of account and properly

checked and verified. No third party funds/securities are accepted from the clients.

The information obtained through the above mentioned measures should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary in compliance with the Guidelines.

Factors of risk perception (in terms of monitoring suspicious transactions) of the client to be 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 should 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 KYC profile.

In case third party is relied upon for carrying out Client Due Diligence (CDD) the same shall be in accordance with the regulations and circulars/guidelines issued by SEBI from time to time. Further, the Company shall ultimately be responsible Client Due Diligence (CDD) and undertaking due diligence measures

Confirmation of client is taken over phone wherein the detail of the client is confirmed before activation of the account.

For existing clients processes could include-

Review of KYC details of all the existing active clients in context to the PMLA,2002 requirements.

Classification of clients into high, medium or low risk categories based on KYC details. trading activity etc for closer monitoring of high risk categories etc.

Obtaining of annual financial statements from all clients, particularly those in high risk categories.

In case of non individuals **additional information** about the directors, partners dominant promoters, major shareholders to be obtained.

Risk based approach:

Classify both the new and existing clients into high, medium or low risk category depending on parameters such as the customer's background, type of business

relationship, transactions etc. We should apply each of the customer due diligence measures on a risk sensitive basis and adopt an enhanced customer due diligence process for high risk categories of customers and vice-a-versa.

Clients of special category (CSC)

Such clients include the following

Non resident clients

High net worth clients,

Trusts, Charities, NGOs and organizations receiving donations

Companies having close family shareholdings or beneficial ownership

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 Client Identification Procedure of this policy document shall also be applied to the accounts of the family members or close relatives of PEPs; If we identified any existing client as Politically Exposed Person subsequently then shall discontinue the client relationship.

Companies offering foreign exchange offerings

Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries 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, intermediaries 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

Non face to face clients

Clients with dubious reputation as per public information available etc.

Cash transactions involving counterfeit notes or currencies or any forgery of valuable securities or documents for enabling transactions.

Minors (for depository services) The above mentioned list is only illustrative and we should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

Client Acceptance :

This policy shall enable the Company to identify the types of clients that are likely to pose a higher than average risk of ML (Money Laundering) or TF (Terrorism Financing). By establishing such policies and procedures, the Company 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:

No account is opened in a fictitious /benami name or on an anonymous basis and in person verification is done in all the cases before activation of account.

The new clients (individual & Non-individuals) will be accepted only after proper verification with the reference provided/introducers. The know your client (KYC) form shall consist of all the information/documents as per requirement of exchange.

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 should enable classification of clients into low, medium and high risk. Clients of special category may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile

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 PML rules, directives and circulars. Special care to be taken while opening account of clients of special category like NRI's, HNI's, NGO's, clients with political exposure etc and additional information/documents be obtained from these clients.

Ensure that an account is not opened where the identity of client or the information provided by him is not genuine or information is not complete.

No person is permitted to act on behalf of client except after proper verification and based on the authority letter provided by the client

Necessary checks and balance are 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. The client's details are checked with list of banned entities as published by SEBI. Further the clients details are checked from the website <http://www.un.org/sc/committees/1267/consolist.shtml> and other related sites to verify whether the client belongs to banned entities or barred entities list.

Risk assessment shall be carried out to identify assess and take effective measures to mitigate its money laundering and terrorist financing risk w.r.t countries or geographical areas, nature and volume of transactions, payment method of clients etc. based on information of GOI, SEBI and for those entities as per updated list of UN Security Council Resolutions available at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml <http://www.un.org/sc/committees/1988/list.shtml> All the relevant risk factors shall be considered before determining the level of risk involve and type of mitigation to be applied.

Periodical update

The Company shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

The details provided by the clients are updated periodically to ensure that the trades done by the client are consistent with the profile of the client. Financial details of the client are periodically updated. Personal details like e-mail id, phone number, address, bank etc are also updated on regular basis.

Monitoring & Reporting of Suspicious Transactions:

Counterfeit Currency Reports:

Monitoring and Reporting to FIU-IND where any forgery of a valuable security or a document has taken place facilitating the transactions with us by any client.

Cross Border Wire Transfer Reports

Monitoring and Reporting FIU-IND of all cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency by our clients where either the origin or destination of fund is in India.

Ongoing monitoring of accounts is an essential element of an effective Anti Money

Laundering framework. Such monitoring should result in identification and detection of apparently abnormal transactions, based on laid down parameters. We should devise and generate necessary reports/alerts based on their clients' profile, nature of business, trading pattern of clients for identifying and detecting such transactions. These reports/alerts should be analyzed to establish suspicion or otherwise for the purpose of reporting such transactions.

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:

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

Substantial increase in activity without any apparent cause-

Large number of accounts having common parameters such as common partners / directors / promoters / address / email address / telephone numbers / introducers or Authorized signatories;

Transactions with no apparent economic or business rationale

Sudden activity in dormant accounts;

Source of funds are doubtful or inconsistency in payment pattern;

Unusual and large cash deposits made by an individual or business;

Transfer of investment proceeds to apparently unrelated third parties;

- 1 Multiple transactions of value just below the threshold limit specified in PMLA so as to avoid possible reporting;
- 2 Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items.;

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

- 3 Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
- 4 Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;

Purchases made on own account transferred to a third party through off market transactions through DP Accounts;

Suspicious off market transactions;

Large deals at prices away from the market.

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.

Trading activity in accounts of high risk clients based on their profile, business pattern

and industry segment.

Reporting of Suspicious Transactions:

Processes for alert generation, examination and reporting could include

Audit trail for all alerts generated till they are reported to FIU / closed

Clear enunciation of responsibilities at each stage of process from generation, examination, recording and reporting

Escalation through the organization to the principal officer designated for PMLA

Confidentiality of STRs filed

Record Keeping:

We will maintain such records as are sufficient 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.

To enable the reconstruction of a financial profile of the suspect account we should retain the following information for the accounts of their customers in order to maintain a satisfactory audit trail:

the beneficial owner of the account;

the volume of the funds flowing through the account

for selected transactions:

the origin of the funds;

the form in which the funds were offered or withdrawn, e.g. cash, cheques, etc.;

the identity of the person undertaking the transaction;

the destination of the funds;

the form of instruction and authority.

We ensure that all customer and transaction records and information are available on a timely basis to the competent investigating authorities. Where appropriate, we will consider retaining certain records, e.g. customer identification, account files, and business correspondence, for a period of 5 years.

Information to be maintained:

We maintain and preserve the following information in respect of transactions referred to in Rule 3 of PMLA Rules:

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

Retention of Records:

For easy and quick retrieval of data as and when requested by the competent authorities. We ensure maintenance and preservation of such records and information for a period of ten years from the date of cessation of the transactions between the client and intermediary.

In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, we will retain until it is confirmed that the case has been closed.

On going training

For Employees

We should sensitize our employees of the requirements under PMLA. We will ensure 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.

Investor Education

Implementation of AML measures may require certain personal information from investors eg; documents evidencing source of funds. This can sometimes lead to raising of questions by the customer with regard to the motive and purpose of collecting such information. The customer is duly educated about requirements of AML.

Audit/Testing of Anti Money Laundering Program:

The Anti Money Laundering program should be subject to periodic audit specifically with regard to testing its adequacy to meet the compliance requirements. We will continuously review and strengthen the policy.