

ANTI MONEY LAUNDERING POLICY

1. Background

1.1. Pursuant to the recommendations made by the Financial Action Task Force on anti- money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18th January 2006 and vide letter No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI.

2. What is Money Laundering?

2.1 Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins.

2.2 This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

3. Prevention of Money Laundering Act, 2002

3.1. Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005.

3.2. The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) - INDIA

4. Financial Intelligence Unit (FIU) – INDIA

4.1. The Government of India set up Financial Intelligence Unit-India (FIU-IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

4.2. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

5. Objective of these Guidelines

5.1. The purpose of this document is to guide all the employees and employees of its associates on the steps that they are required to take and implement to prevent and identify any money laundering or terrorist financing activities. It shall be the responsibility of each of the concerned employees that they should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of these measures and the requirements as enshrined in the “Prevention of Money Laundering Act, 2002”.

5.2. Some of these suggested measures may not be applicable to every circumstance or to each department, Branch / Sub-broker. However, each entity should consider carefully the specific nature of its business, type of customer and transaction to satisfy itself that the measures taken by the

employees are adequate and appropriate to follow the spirit of these guidelines.

been appointed as Principal Officer and it was intimated to FIU and to all stock/commodity exchanges they will be responsible for Compliance of the provisions of the PMLA and AML Guidelines

- Act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions
- Ensure that CFSL/CCL discharges its legal obligation to report suspicious transactions to the concerned authorities.

been appointed as Designated Director and it was intimated to FIU and to all stock/commodity exchanges. The responsibility of the designated director is to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules.

6.3. The main aspect of this policy is the Customer Due Diligence Process which means:

- Obtaining sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted.
- Verify the customer's identity using reliable, independent source document, data or information.
- Conduct on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's background/financial status, its activities and risk profile.

6.4. The Customer Due Diligence Process includes three specific parameters :

- Policy for Acceptance of Clients
- Client Identification Procedure
- Suspicious Transactions identification & reporting

7. Customer Acceptance Policy

7.1

- **Each client should be met in person:** Accept client whom we are able to meet personally. Either the client should visit the office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filled in and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client.
- **Accepts clients on whom we are able to apply appropriate KYC procedures:** Obtain completes information from the client. It should be ensured that the initial forms taken by the clients are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.
- **Be careful while accepting Clients of Special category:** We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share

holding/ownership, companies dealing in foreign currency, shell companies, overseas entities,

clients in high risk countries, non-face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc.) or clients from high risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc). Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category

- **Guidelines on Identification of Beneficial Ownership:** For non- individual customers as part of the due diligence measures sufficient information must be obtained in order to identify persons who beneficially own or control securities account. Periodically to ask for clients financial details to determine the genuineness of transaction. 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 should be identified and verified using client identification and verification procedures as early as possible. 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(s) is/are being conducted. It includes persons who exercise ultimate effective control over a legal person or arrangement.
- **Do not accept client registration forms which are suspected to be fictitious:** Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
- **Do not compromise on submission of mandatory information/ documents:** Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.

7.2. Customer Identification Procedure (FOR NEW CLIENTS)

Objective: To have a mechanism in place to establish identity of the client along with firm proof of address to prevent opening of any account which is fictitious / benami / anonymous in nature.

7.2.1. Documents which can be relied upon:

- **PAN Card:** PAN card is mandatory and is most reliable document as only one card is issued to an individual and we can independently check its genuineness through IT website.
- **IDENTITY Proof:** PAN Card itself can serve as proof of identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card.
- **ADDRESS Proof:** For valid address proof we can rely on Voter's Identity Card, Passport, Bank Statement, Aadhaar Letter, Ration card and latest Electricity/telephone bill in the name of the client.

7.2.2. Documents to be obtained as part of customer identification procedure for new clients:

a. In case of individuals, one copy of the following documents have to be obtained :

- As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card copy with the original. Please put "verified with original" stamp as proof of verification.
- Other proofs for identity are Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card or any other document prescribed by the regulatory authorities.
- Address proof in the form of Voter's Identity Card, Passport, Bank Statement, Ration card and

latest Electricity/telephone bill in the name of the client or any other document prescribed by the regulatory authorities.

b. In case of corporates, one certified copy of the following documents must be obtained:

- Copy of the Registration/Incorporation Certificate
- Copy of the Memorandum & Articles of the Association
- Copy of the PAN card and the Director Index No. (DIN)
- Copy of the latest audited Annual Statements of the corporate client
- Latest Net worth Certificate
- Latest Income Tax return filed.
- Board Resolution for appointment of the Authorized Person who will operate the account.
- Proof of address and identity of Authorized Person

c. In case of partnership firm one certified copy of the following must be obtained:

- Registration certificate
- Partnership Deed
- PAN card of partners
- Authorization letter for the person authorized to open and operate the account
- Proof of identity and address of the authorized person.
- Annual statement/returns of the partnership firm

d. In case of a Trust, one certified copy of the following must be obtained:

- Registration certificate
- Trust Deed
- PAN card
- Authorization letter for the entity authorized to act on their behalf
- Officially valid documents like PAN card, voters ID, passport, etc of person(s) authorized to transact on behalf of the Trust.

e. In case of unincorporated association or a body of individuals, one certified copy of the following must be obtained:

- Resolution of the managing body of such association or body of individuals
- PoA in favour of person authorized to transact
- Officially valid documents like PAN card, voters ID, passport, etc of the person(s) authorized to transact
- Any document required by CFSL/CCL to establish the legal existence of such an association or body of individuals.

f. In case of an NRI account - Repatriable/non-repatriable, the following documents are required:

- Copy of the PIS permission issued by the bank
- Copy of the passport
- Copy of PAN card

- Proof of overseas address and Indian address
- Copy of the bank statement
- Copy of the demat statement
- If the account is handled through a mandate holder, copy of the valid PoA/mandate

7.3. General Guidelines

- Always check original documents before accepting the copies
- Always check PAN no with restricted PAN no.entity provided by SEBI/Stock exchange/Depository, option to check restricted PAN no. is provided in CDSL back office package, DP officer are advised to update the same in back office software on regular basis.
- Obtain the latest photograph of account holder/ authorized person(s)
- Check for latest IT return of the client/ Net worth Certificate for ascertaining the financial status of the client to know the client suitability of the product being sold to the client
- Review the above details on-going basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer's source of funds.
- Scrutinize the forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, ask for any additional details like salary slips, etc. to satisfy yourself whenever there is a doubt.
- For scrutiny / background check of the clients, websites such as www.watchoutinvestors.com should be referred. Also, Prosecution Database / List of Vanishing Companies available on www.sebi.gov.in and RBI Defaulters Database available on www.cibil.com can be checked.
- 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>. or circular issued by Stock exchange/Depository . The details is incorporated in CDSL back office software, back office executive should update the same on regular basis ,at the time of account opening officer should match the name of the client with the database , if any match with database the same should be reported to compliance officer.

Compliance officer after verification if find the details matched should immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011- 23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.

It should also be intimated through post/fax and through e-mail (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI,

Officer on Special Duty,
Integrated Surveillance Department,
Securities and Exchange Board of India,
SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex,

