



R L P Securities Pvt. Ltd.

POLICIES AND PROCEDURE FOR PREVENTION OF MONEY LAUNDERING (Issued as per the requirements of the PMLA Act 2002)

1. Policy: R L P SECURITIES Pvt. Ltd. had designed this policy of PMLA and effective AML program to prohibit and actively prevent the money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities or flow of illegal money or hiding money to avoid paying taxes. To discourage and identify any Money Laundering or Terrorist financing Activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Maintenance of records of the Nature and Value of Transactions. To protect the interests of investors in securities and to promote the development of and to regulate the securities Market.

This policy provides a detailed Account of the procedures and obligations to be followed to ensure compliance with issues related to KNOW YOUR CLIENT (KYC) Norms, ANTI MONEY LAUNDERING (AML), CLIENT DUE DILIGENCE (CDD) and COMBATING FINANCING OF TERRORISM (CFT). Policy specifies the need for Additional disclosures to be made by the clients to address concerns of Money Laundering and Suspicious transactions undertaken by clients and reporting to FIU-IND. These policies are applicable to both Branch and Head office Operations and are reviewed from time to time.

Every possible measures are taken for the effective implementation of the Policy. The measures taken are adequate, appropriate and abide by the spirit of such measures and requirements as enshrined in the PMLA to the best of our satisfaction.

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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, and 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 12A 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 lakh or our equivalent in foreign currency.
- ^ All series of cash transactions integrally connected to each other which have been valued below Rs.10 lakh 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.

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.

3. Policies and Procedures to Combat Money Laundering and Terrorist financing:

3.1 Essential Principles

3.1.1 Taking into account the requirements of the PMLA as applicable to the R.L.P. Securities Pvt. Ltd. Depository Participant & Registered Stock Broker under Section 12 of the SEBI Act, we have outlined relevant measures and procedures to preventing ML and TF. The policy has been framed, based on the circumstances and specific nature of our business, organizational structure, type of clients and transactions, etc. to satisfy that the measures taken by us are adequate and appropriate and are followed to the spirit of the suggested measures as laid down in the PMLA.

3.2 Obligation to establish policies and procedures

3.2.1 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 R.L.P. Securities Pvt. Ltd. ensure the fulfillment of the aforementioned obligations.

3.2.2 To be in compliance with these obligations, the senior management of R.L.P. Securities Pvt. Ltd., is fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring our effectiveness and compliance with all relevant legal and regulatory requirements.

- (a) We have issued 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) We have ensured that the content of these Directives are understood by all staff members;
- (c) We will be regularly reviewing the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the Designated Principal Officer doing such a review is different from the one who has framed such policies and procedures;
- (d) Due care is taken to adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF;
- (e) We 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) We have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- (g) We develop staff members’ awareness and vigilance to guard against ML and TF

3.2.3 Policies and procedures to combat ML :

- a. We Communicate group policies relating to prevention of ML and TF to all management, Branches, Sub brokers, DP staff and all other relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;
- b. We adopt Client acceptance policy and client due diligence measures, including requirements for proper identification;
- c. We maintain all the records as prescribed by SEBI and PMLA act.
- d. We comply with relevant statutory and regulatory requirements.
- e. We Co-operate with the relevant law enforcement authorities, including the timely disclosure of information; and
- f. We have internal audit and 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 frontline staff reporting the suspicious transactions are well qualified and are fully aware of their responsibilities in this regard.

The internal audit is functioned by an independent body, 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

4. Written Anti Money Laundering Procedures:

4.1 The procedure to adopt and implement The Anti Money Laundering provisions as envisaged under the PMLA Act include inter alia the following three specific parameters which are related to over all ‘**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).

5. Client Due Diligence

5.1 The CDD measures comprise the following:

- (a) We try 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) We verify the client's identity using reliable, independent source documents, data or information;
- (c) We try Identifying the 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) We try verifying 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) We try Understand the ownership and control structure of the client;
- (f) We 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 consistence with our knowledge of the client, our business and risk profile, taking into account, where necessary, the client's source of funds; and
- (g) We shall be periodically updating all documents, data or information of all clients and beneficial owners collected under the CDD process.

5.2 Policy for acceptance of clients:

5.2.1 R.L.P. Securities Pvt. Ltd. has developed 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, we are in a better position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction.

The policy is prepared taking into consideration the speed and complexity of the transactions, as well as the need for customer due diligence to ensure that undesirable elements are prevented from entering into the system, the policy also ensures compliance with:

Pre-customer acceptance check

Comprehensive black list filtering.

Peer profiling, link analysis and risk based analysis

Identification of customer with common or similar identity information

Secondary check on the provision of mandatory information by the customer

At the time of opening an account or executing any transaction, the company will verify and maintain the record of identity and current address or addresses including permanent address of the client, the nature of business, and the financial status by obtaining and verifying the genuineness from the following documents:

Proof of Identity: PAN CARD

Proof of Address: Voter ID, Ration Card, Driving License, Bank Pass book, Latest Bank statement, Electricity bill etc. as prescribed by the Rules and Regulations of the Company, SEBI, Exchange(s) and



other Regulatory bodies from time to time.

Bank proof: Bank pass Book, Latest bank statement, cancelled Cheque etc.

Demat Proof: C I R Copy, Holding & Transaction statement etc. and all other documents varying from client to client and Status of the client, as prescribed by the Rules and Regulations of the Company, SEBI, Exchange(s) and Other Regulatory bodies from time to time. (The detailed list of which is enclosed herewith, as Annexure.)

All the documents are verified in original by the Employees of our company, and a stamp to the effect VERIFIED WITH ORIGINALS is affixed on the Xerox copy of the Document.

All PAN Cards will be verified from the Income Tax / NSDL website before the account is opened.

IN PERSON VERIFICATION of all the clients will be done by the designated employee(s) of our company the verification includes gathering information on financial details and Action taken against clients by SEBI / OTHER REGULATORY AUTHORITIES etc. from time to time.

The client Identity and other details are verified from the list of barred entities etc., so that no such clients enter the System. The client Account will be registered only after fulfilling all the above requirements, due diligence and entering into MEMBER CONSTITUENT AGREEMENT duly stamped and attested by the Client and the Member and fulfilling all other requirements as per the Company rules, Regulations and Byelaws of the Exchange, SEBI guidelines, PMLA guidelines and all other requirements of Regulatory Bodies from time to time, depending on the status and nature of the Client. The client KYC details will be uploaded to the Depository and the Exchange(s). The company will maintain records of all identification information for ten years after the account has been closed.

Special care is taken in case of KYC Verification of Special Category Clients and such Accounts will be allowed to open only after the approval of senior management. The following safeguards are 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 client(s) require higher degree of due diligence and regular update of Know Your Client (**KYC**) profile.
- c) Documentation requirements and other information are 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) We ensure that an account is not opened where we are unable to apply appropriate CDD measures / KYC policies. This shall be applicable in cases where it is not possible to ascertain the identity of the client, or the information provided to us and is suspected to be non genuine, or there is perceived non co-operation of the client in providing full and complete information. We shall not continue to do business with such a person and file a suspicious activity report. We shall also evaluate whether there is suspicious trading, in determining whether to freeze or close, we shall be cautious to ensure that we will hold securities or money that may be from suspicious trades. However, such action depends on consultation with the relevant authorities and in determining what action shall be taken when we suspects suspicious trading.
- 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 intermediary, 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) 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 world wide.

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

5.3 Risk-based Approach

5.3.1 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. As such, we shall apply each of the clients due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach, is that we shall adopt 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 shall obtain necessarily depend on the risk category of a particular client.

Classification of Clients- Clients are categorized on various grounds like client's location (registered office address, correspondence addresses and other address if any applicable, nature of business activity, trading turnover etc and manner of making payment for transactions undertaken. Broadly speaking clients can be specified in following three categories

Low risk clients: Low risk client includes clients who satisfy following criteria:

- Resident of India
- Provides any document on demand without any delay
- Provides income proof
- Provided reference
- No delegation of authority for operation of account
- Always provide securities and funds in time
- No cheque bounces
- Places order within reasonable period of time

Medium risk client: Any client who cannot be comfortably placed in neither in Low risk nor in high risk category.

Medium risk client includes those clients's who doesn't honor their commitments in time.

High risk client: Who takes excessive positions and makes delay in payment. It includes all clients mentioned under Special category of clients as defined in this Policy and any client against whom any order is passed by regulatory authorities or any investigation is launched which is pending. Any client against who any regulatory order is passed for accessing market then such client will automatically be black listed and no further trading should be done for those accounts.

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.



5.4 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 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, we 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 their 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 shall extend based on the exercise of independent judgment to ascertain whether any other set of clients shall be classified as CSC or not and also as notified by the various regulatory bodies from time to time.

5.5 Client identification procedure:

5.5 The KYC policy clearly spells out the client identification procedure to be carried out at different stages i.e. while establishing the Member – Client relationship, while carrying out transactions for the client or when we have doubts regarding the veracity or the adequacy of previously obtained client identification data. We shall be in compliance with the following requirements while putting in place a Client Identification Procedure. (**CIP**):

- a) We shall 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 PEP.
- b) The business relationships with PEPs can be established only with the prior approval of the senior management. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, senior management approval to continue the business relationship is to be obtained.
- c) We shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP”.
- d) We shall identify the client by using reliable sources including documents / information. We shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.



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

f) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to our higher authorities.

5.5.1 SEBI has prescribed the minimum requirements relating to KYC for certain classes of intermediaries from time to time as detailed in the table. 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 have framed our own internal directives based on our experience in dealing with their clients and legal requirements as per the established practices. Further, we shall conduct ongoing due diligence where we notice inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that we understand the clients on whose behalf we are dealing.

5.5.2 Every intermediary shall formulate and implement a CIP which shall incorporate 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 our clients. PML rules have recently been amended vide notification No. 13/2009 dated November 12, 2009 and need to be adhered to R.L.P. Securities Pvt. Ltd..

5.3 It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to registered intermediaries (brokers, depository participants, AMCs etc.) 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 R.L.P. Securities Pvt. Ltd. This shall be strictly implemented by us to avoid non-compliance which shall attract appropriate sanctions.

6. Record Keeping

6.1 The principal officer shall ensure compliance 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.

6.2 We shall 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.

6.3 Shall there be 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 shall retain the following information for the accounts of our 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.

6.4 We shall ensure 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, we 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.

6.5 The principal Officer will be responsible for 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 lakh or our equivalent in foreign currency;
- (ii) All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or our equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- (iii) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- (iv) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

7. Information to be maintained We are required to maintain and preserve 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.

8 Retention of Records We shall take 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 will be maintained and preserved for a period of ten years from the date of transactions between the client and Member.

8.2 As stated in sub-section 5.5, we have formulated and implementing the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. The records of the identity of clients are maintained and will be preserved for a period of ten years from the date of cessation of transactions between the client and us, i.e. the date of termination of an account or business relationship between the client and us.

8.3 Thus the following document retention terms shall be observed:

- (a) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed there under as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.
- (b) Records on client identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence shall also be kept for the same period

8.4 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.

9. Monitoring of transactions

9.1 Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. Our dedicated staff has an understanding of the normal activity of the client so that we can identify deviations



in transactions / activities.

9.2 We shall pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. We may 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 / FIU- IND / other relevant Authorities, during audit, inspection or as and when required. These records will be preserved for ten years as is required under the PMLA.

Analysis of each customer action and transactions against money laundering patterns Erase of use, configurable alerts and Scenario management functionality Library of alert scenarios, developed after consulting with Industry experts. It should cover typologies varying from large volumes monitoring, off-market transactions, surge in activities etc. 'Alert Flood control mechanism' should be available to reduce flood of alerts thereby making the number of alerts, manageable. A fully auditable workflow with evidence management to suit the requirements of Depository Participant and Brokerage firms.

9.3 The compliance Officer shall ensure that 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 shall also be regularly reported to the higher authorities of the Company

9.4 Further, our compliance cell shall 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. The records will be updated on daily basis, and in any case not later than 5 working days.

10. Suspicious Transaction Monitoring & Reporting:

Monitoring Accounts for Suspicious Activity: The Company will monitor through the Alerts generated by the CDSL, Automated means of alerts from CTCL Risk Management Admin and Back Office Software for unusual size, volume, pattern or type of transactions. For non automated monitoring, the following kind of activities is to be mentioned as Red Flags and reported to the Principal Officer.

- The customer exhibits unusual concern about the firm's compliance with government reporting requirements and the firm's AML policies (particularly concerning his or her identity, type of business and assets), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or business documents.
- The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business or investment strategy.
- The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or Her or their funds and other assets.
- The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations. The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs. The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
- The customer has difficulty describing the nature of his or her business or lacks general



knowledge of his or her industry.

- The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash, or asks for exemptions from the firm's policies relating to the deposit of cash.
- The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the Rs.10, 00,000 government reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.
- For no apparent reason, the customer insists for multiple accounts under a single name or multiple names; with a large number of inter-account or third party transfers.



The customer engages in excessive journal entries between unrelated accounts without any apparent business.

The customer requests that a transaction be processed to avoid the firm's normal documentation requirements.

The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as Z group and T group stocks, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.).

The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.

The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

10.1 We shall ensure 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 shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

10.2 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.
- Suspicious transaction includes a transaction whether or not made in cash which, to a person acting in good faith -
- o appears to be made in circumstances of unusual or unjustified complexity; or
 - o appears to have no economic rationale or bonafide purpose; or
 - o gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

Broad categories of reason for suspicion and examples of suspicious transactions for are indicated as under:

Identity of Client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Doubt over the real beneficiary of the account



- Accounts opened with names very close to other established business entities

Suspicious Background

- Suspicious background or links with known criminals

Multiple Accounts

- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale

- Unexplained transfers between multiple accounts with no rationale

Activity in Accounts

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading

Nature of Transactions

- Unusual or unjustified complexity
- No economic rationale or bon fide purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off market transactions

Value of Transactions

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client
- Block deal which is not at market price or prices appear to be artificially inflated/deflated

10.3 Alerts generated internally and by the Regulatory Bodies are monitored and recorded for genuineness of the transaction on daily basis and necessary due diligence is done in consultation with the Higher Management, In case of any suspicion in the transaction the same is reported to the regulatory bodies in consultation with the Board of Directors. Such alerts include:

Sr.No.	Transaction Alerts	Segment
1	Significantly increase in client Activity	Cash
2	Sudden trading activity in dormant account	Cash
3	Client/Group of Client (s), deal in common scrips	Cash
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips	Cash
5	Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash
6	Client / Group of Client(s) Concentration in a scrip	Cash
7	Circular Trading	Cash
8	Pump and Dump	Cash
9	Wash Sales	Cash & Derivatives



10	Reversal of Trades	Cash & Derivatives
11	Front Running	Cash
12	Concentrated position in the Open Interest / High Turnover concentration	Derivatives
13	Order book spoofing i.e. large orders away from market	Cash

All mandatory reporting are made to the regulatory bodies.

REGULATORY REPORTING:

Both MIS reports and Regulatory reports (like CTR and STR) should be supported. The compliance

reports should be generated in the regulatory prescribed format.

Reporting to FIU IND: For Cash Transaction Reporting

- All dealing in Cash that requiring reporting to the FIU IND will be done in the CTR format and in the matter and at intervals as prescribed by the FIU IND

For Suspicious Transactions Reporting

We will make a note of Suspicion Transaction that have not been explained to the satisfaction of the Principal Officer and thereafter report the same to the FIU IND and the required deadlines. This will typically be in cases where we know, suspect, or have reason to suspect:

- The transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any the transaction reporting requirement,
- The transaction is designed, whether through structuring or otherwise, to evade the any requirements of PMLA Act and Rules framed thereof
- The transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and we know, after examining the background, possible purpose of the transaction and other facts, of no reasonable explanation for the transaction, or
- The transaction involves the use of the firm to facilitate criminal activity.

We will not base our decision on whether to file a STR solely on whether the transaction falls above a set threshold. We will file a STR and notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist, or corrupt activities.

10.3 Any suspicious transaction shall be immediately notified to Compliance Officer. 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, 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.

10.4 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 we shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

10.5 We ensure that high risk countries, as categorized by the regulatory bodies from time to time, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'CSC' 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.

11. List of Designated Individuals/Entities:

We understand that 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) is appearing in the website at <http://www.un.org/sc/committees/1267/consolist.shtml> . We ensure that accounts are not opened in the name of anyone whose name appears in said list. We shall 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.

12. 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. We ensure the effective and expeditious implementation of said Order issued vide SEBI Circular ref. no: [ISD / AML / CIR-2 / 2009 dated October 23, 2009](#) is complied with scrupulously.

13. Reporting to Financial Intelligence Unit-India

13.1 In terms of the PML Rules, We have designated the Principal Officer 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>

13.2 The principal officer shall carefully go through all the reporting requirements and formats as prescribed by the regulatory bodies from time to time, both Manual Formats and Electronic Formats. ([Cash Transaction Report- version 1.0](#) and [Suspicious Transactions Report version 1.0](#)). If we are not in a position to immediately file electronic reports, we 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, the Principal Officer 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. However we don't entertain any cash Transactions.

(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.

13.3 We shall not put any restrictions on operations in the accounts where an STR has been made. We, our 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. Irrespective of the amount of transaction and /or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, we shall file STR if we have reasonable grounds to believe that the transactions involve proceeds of crime.

14. Designation of an officer for reporting of suspicious transactions :

14.1 To ensure the implementation of PMLA Act, with true spirit and to properly discharge the legal obligations to report suspicious transactions to the authorities, the company has designated Mr. CH. V. A. Varaprasad, Compliance Officer of the Company as the Principal Officer for our Anti-Money Laundering Program. He is a Post Graduate in Commerce from Nagarjuna University, Andhra Pradesh, and is qualified by experience, knowledge and training. He 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. The details of Principal Officer, Name, designation and addresses (including e-mail addresses) has been intimated to the Office of Director-FIU, and any changes therein shall also be intimated from time to time. The 'Principal Officer' is sufficiently of a senior position and is able to discharge the functions with independence and authority.

The duties of the Principal Officer will include monitoring the firm's compliances with AML obligations and overseeing communication and training the employees on PMLA procedures and to ensure that the employees strictly adhere to the policies laid down on AML activities and PMLA guidelines as per the guidelines set out from time to time and reviewing the same at frequent intervals of time.. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU – IND). The Principal Officer will be responsible to ensure that AML records are maintained properly and that STRs are filed as required.

15. Employees' Hiring/Employee's Training/ Investor Education:

15.1 Hiring of Employees

We shall have adequate screening procedures in place to ensure high standards when hiring employees, having regard to the risk of money laundering and terrorist financing and the size of the business, we ensure that all the employees taking up such key positions are suitable and competent to perform their duties.

15.2 Employees' Training

We have an ongoing employee training program conducted by our Principal Officer and Senior Management, Participation of all the Key Employees in the Seminars conducted by various Regulatory bodies from time to time, so that the members of the staff are adequately trained in AML and CFT procedures.

All the Circulars issued by various Regulatory bodies including that of PMLA, are circulated to all the staff Members and the same are also being discussed in length, in the Training Program'. Training program shall have special emphasis on 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.

Our training will include, at a minimum: how to identify red flags and signs of money laundering that arise during the course of the employees' duties; what to do once the risk is identified; what employees' roles are in the firm's compliance efforts and how to perform them; the firm's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.



15.3 Investors Education

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

Monitoring Employee Conduct and Accounts:

We will subject employee accounts to the same AML procedures as customer accounts, under the supervision of the Principal Officer. We will also review the AML performance of supervisors, as part of their annual performance review. The Principal Officer's accounts will be reviewed by the Board of Directors.

Confidential Reporting of AML Non-Compliance:

Employees will report any violations of the company's AML compliance program to the Principal Officer, unless the violations implicate the Compliance Officer, in which case the employee shall report to the Chairman of the Board. Such reports will be confidential, and the employee will suffer no retaliation for making them.

Program to Test AML Program:

The testing of our AML program will be performed by the senior Management of the company.

Evaluation and Reporting After we have completed the testing, the Internal Auditors will report their findings to the Board of Directors. We will address each of the resulting recommendations.

Board of Directors Approval: We have approved this AML program as reasonably designed to achieve and monitor our firm's ongoing compliance with the requirements of the PMLA and the implementing regulations under it. All STRs will be reported quarterly to the Board of Directors, with a clear reminder of the need to maintain the confidentiality of the STRs.