



## **Bharathi Share Broking Private Limited**

### **PMLA**

#### **What is Money Laundering?**

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.

#### **Prevention of Money Laundering Act, 2002**

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.

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

#### **Financial Intelligence Unit (FIU) – INDIA**

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.

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.

#### **Policy of Bharathi Share Broking Private Limited**

**Bharathi Share Broking Private Limited** (BSBPL) has resolved an internal policy, to take adequate measures to prevent money laundering and shall put in place a frame-work to report suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002. It may be also noted that policy document is an indicative list based on Prevention of Money Laundering Act, guidelines issued by SEBI in this regard with regard to the nature of business. The Anti Money Laundering program shall be reviewed at frequent intervals.

#### **Objective of these Guidelines**

The purpose of this document is to guide the employees on the steps that they are required to identify and prevent 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”.

### **Implementation of this Policy**

Mr. D. Bangaru Babu Compliance Officer will be the Principal Officer who 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 BSBPL discharges its legal obligation to report suspicious transactions to the concerned authorities.

The main aspect of this policy is the Customer Due Diligence Process in line with the guidelines issued by various regulators such as SEBI, RBI:

The Customer Due Diligence Process (CDD) includes three specific parameters:

- Policy for Acceptance of Clients
- Procedure for identifying the clients
- Transaction Monitoring and reporting the suspicious transactions reporting (STR)

### **Client Due Diligence & Customer Acceptance Policy**

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

Verify the customer's identity using reliable, independent source document, data or information.

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 filed in and signed. Preferably we accept clients who live within the jurisdiction of the office and as far as possible, we ensure that the new client is introduced by an existing client.

Accepts clients on whom we are able to apply appropriate KYC procedures: Obtain complete 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) are obtained and verified.

Do not accept clients with identity matching persons known to have criminal background: Check whether the client's identity matches 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/regulatory agency worldwide.

Generally reviewed on Annual basis. In lesser periods to suit the compliance & other requirements on the basis of information's.

### **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.

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 Aadhaar, Voter's Identity card, Passport, or any Government/PSU/Ban issued photo identity card.

ADDRESS Proof: For valid address proof we can rely on Voter's Identity Card, Passport, Bank Statement, Aadhaar, latest Electricity/telephone bill (BSNL) in the name of the client.

### **Documents to be obtained as part of customer identification procedure for new clients:**

In case of individuals, one copy of the following documents has 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 Aadhaar, Voter's Identity card, Passport, or any government PSU / Bank issued photo identity card or any other document prescribed by the regulatory authorities.

Address proof in the form of Aadhaar, Voter's Identity Card, Passport, Bank Statement, latest Electricity /telephone bill (BSNL) in the name of the client or any other document prescribed by the regulatory authorities.

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

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

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.

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 BSBPL to establish the legal existence of such an association or body of individuals.

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



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- Copy of the demat statement

### **For all Existing clients**

Review of KYC details on an on-going basis in context to the PMLA 2002 requirements in order to ensure that the details given in the KYC, by the client, matches with the current details of the client. If required, seek additional documents/information from the client to verify the financial/general status of the client. In case of non individuals additional information about the directors, partners, dominant promoters, major shareholders to be obtained.

In cases where:

- There is any material negative change in the financial details of the client from what is given in the KYC.
- If the client is not contactable/traceable or contracts notes/ communications sent are received back undelivered.
- In case the client is prohibited by any regulatory authority.
- The client refuses to provide additional information/document asked for.
- There is a material change in the mandate holder profile/details.

We should immediately bring the same to the notice of the senior management, who, in turn, discuss the same with the Principal Officer to decide on the necessary course of action, including reporting to FIU, New Delhi.

### **Guidelines on Identification of Beneficial Ownership**

As per SEBI circular CIR/MIRSD/2/2013, dated January 24, 2013, the company adopts following guidelines on Identification of Beneficial Ownership in case of clients who are corporates, trusts, partnership firms, Association of persons etc.

#### **For clients other than individuals:**

Where the client is a person i.e company, partnership or unincorporated association/body of individuals, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

a. The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Explanation: Controlling ownership interest means ownership of/entitlement to:

i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;

ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or

iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

b. In cases where there exists doubt under clause (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

c. Where no natural person is identified under clauses (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official.

**For client which is a trust:**

Where the client is a *trust*, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

**Exemption in case of listed companies:**

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

**Applicability for foreign investors:**

Intermediaries dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013, for the purpose of identification of beneficial ownership of the client.

Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to beneficial ownership and control

Understand the ownership and control structure of the client. .



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Conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

### **Policy for acceptance of clients:**

All registered intermediaries shall develop 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 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.

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

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

Ensure that an account is not opened where the intermediary is unable to apply appropriate CDD measures/ KYC policies.

This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information.

The market intermediary shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. The market intermediary shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.

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.

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

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

#### **Clients of special category (CSC)**

Due care shall be taken while accepting clients of Special Category.

- a) Non - resident clients
- b) High net-worth clients,
- c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- d) Companies having close family shareholdings or beneficial ownership
- e) 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 shall also be applied to the accounts of the family members or close relatives of PEPs.

- f) Companies offering foreign exchange offerings
- g) Clients in high risk countries.

While dealing with clients from or situate in high risk countries or geographic areas or when providing delivery of services to clients through high risk countries or geographic areas i.e. places where existence or effectiveness of action against money laundering or terror financing is suspect, intermediaries apart from being guided by the Financial Action task Force (FATF) statements that inter alia identify such countries or geographic areas that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website ([www.fatf-gafi.org](http://www.fatf-gafi.org)) from time to time, shall also independently access and consider other publicly available information along with any other information which they may have access to.

However, this shall not preclude intermediaries from entering into legitimate transactions with clients from or situate in such high risk countries and geographic areas or delivery of services through such high risk countries or geographic areas.

h) Non face to face clients

i) Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and we shall exercise independent judgment to ascertain whether clients shall be classified as CSC or not

### **Politically exposed person (PEP)**

Company shall proactively put in place appropriate risk management systems to determine whether 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.

Company shall obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be or subsequently becomes PEP, company shall obtain senior management approval to continue the business relationship.

Company shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP”.

The client shall be identified by the company by using reliable sources including documents / information. The company shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

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

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

### **Other General Guidelines**

Always checks original documents before accepting the copies

Obtain the latest photograph of account holder/ authorized person(s)

Checks 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

Scrutinizes the forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, asks for any additional details like salary slips, etc. to satisfy whenever there is a doubt.

Scrutinize / background check of the clients, from websites such as [www.watchoutinvestors.com](http://www.watchoutinvestors.com). Also, Prosecution Database / List of Vanishing Companies available on [www.sebi.gov.in](http://www.sebi.gov.in) and RBI Defaulters Database available on [www.cibil.com](http://www.cibil.com) can be checked.

Ensures that accounts are not opened in the name of anyone whose name appears in the 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>.

Client in High Risk Country: No accounts shall be opened if received from a client who was residing in a high risk jurisdiction and may have investment proceeds which may have also originated from these countries. The list may be obtained from 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](http://www.fatf-gafi.org)).

Client with dubious Public Reputation: If a client's reputation during the opening of the account or post opening the account is known to be not good, then the same is marked in this special category.

The information obtained 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.

Keeps watch on the welcome kits returned with reason - undelivered. KYC team are alerted, client will be contacted immediately on telephone and the trading, if suspected, will be suspended.

#### **RELIANCE ON THIRD PARTY FOR CARRYING OUT CLIENT DUE DILIGENCE (CDD)**

As the company being a small entity doesn't rely upon third party resources for IPV currently All Client Due Diligences exercise shall be carried out by the company direct employees and the authorised persons registered with the exchange

#### **Risk Profiling of the Client**

We should accept the clients based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as Low risk, medium risk and high

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risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk client we have to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc.

In order to achieve this objective, all clients of the branch should be classified in the following category:

- Category A – Low Risk
- Category B – Medium Risk
- Category C – High risk
  
- Category A clients are those pose low or nil risk. They are good corporate/HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.
- Category B clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with BSBPL.
- Category C clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

We have to be careful while monitoring the transactions of B and C category clients.

Apart from this we need to exercise extra caution while monitoring the transactions of NRI/NRE/PIO and foreign clients, especially when the payment is being made in foreign currency.

Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned branch officials, and reported to the Business Head immediately.

### **Mandate Holder Policy**

The primary objective of this policy is to ensure that we are aware as to who is the ultimate beneficiary of the transaction and that the transactions executed, through the mandate holder are bonafide.

It is possible that some of the individual clients might appoint a mandate holder. Normally the trading account is opened in the name of various family members and one the family member will hold the mandate.

Whenever any account is operated by a mandate holder, find out the relationship of the mandate holder with the client, followed by establishing the identity of the mandate holders by obtaining proof of identity and address.



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For accounts operated by mandate holders, the, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details, rights and responsibilities of both the persons i.e. the agent- client registered, 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.

Do not accept any payment from the account of mandate holder in favour of the client. All the payments have to be received from the client's bank account only. Similarly, pay-out cheques should be issued only in the name of the client and not in the name of the mandate holder.

In case there is suspicion on the relationship between the mandate holder and the actual client or in case behavior of the mandate holder is suspicious, do take necessary advice from the Business Head.

### **Risk Management Team**

Risk Management Team (RMT) should give exposure to clients based on client ledger balance & exchange approved collateral security after applicable haircut. If client insists any leverage, it can be done only for intraday and approval from senior team to medium risk clients and management's approval is required in case of clients belonging to category of high risk clients

RMS Team on ongoing basis validates exposures with the financial details provided by the client in KYC forms. When there is a trading activity i.e. traded volume, trading in particular scrip, etc which is not commensurate with the financial details declared by the client, it should be analyzed and referred to the Principal Officer with reasons of suspicion.

### **Monitoring Of Transactions**

Ongoing monitoring of accounts is an essential element of an effective Anti Money Laundering framework. Such monitoring shall result in identification and detection of apparently abnormal transactions, based on laid down parameters. We devise and generate necessary reports/alerts, apart from transactional alerts provided by the exchange which are downloaded from NSE - ENIT.

The list of circumstances which may be in the nature of suspicious transactions is given below.

- Significantly increase in client activity
- Sudden trading activity in dormant account
- Client / Group of Clients, deal in common scrips
- Client / Group of Clients are concentrated in a few illiquid scrips & creating artificial volumes, circular trading, indulging in price manipulation, shifting the beneficial ownership of shares, etc.
- Order book spoofing i.e. large orders at price away from market
- Client accounts with unexplained high level of account activity.

- Client accounts having inflow of funds well beyond the known income or resources of the customer.
- Client account 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.
- Frequent change in client account details like bank account, demat account, address, etc
- Client accounts with huge and regular losses and still placing trades/orders.
- Purchases made on own account transferred to a third party through off market transactions through DP Accounts;
- Suspicious off market transactions

The company upon receipt of alerts, forwards to the concerned dealer/authorized person seeking an explanation/clarification from the client reason behind carrying out such trade in their accounts. In addition to above, the company also seeks documentary evidence from clients such as bank statement / updated financial statement. In case of funds, Bank statements of the Clients / Group of Clients from which funds pay-in have been met, to be sought. In case of securities, demat account statements of the Clients /Group of Clients from which securities pay-in has been met, to be sought.

The period for such statements may be at least +/- 15 days from the date of transactions to verify whether the funds / securities for the settlement of such trades actually belongs to the client for whom the trades were transacted.

After analyzing the documentary evidences, the company records its observations for such identified transactions or clients /group of Clients.

In case adverse observations are recorded then company shall report all such instances to the exchange within timelines

The company may seek extension of the time period from the Exchange, wherever required

### **Record Keeping & Retention of Records**

All customer identities like copies or records of official identification documents like PAN card, passports, and identity cards, driving licenses or Voter Identity Card or similar documents, transaction informations like back up of orders, trades , positions , obligations , margins ,funds credits , funds debits, statement of funds and securities , records in respect of brokerage collected , records related to complex / large value of transactions ,depository transactions both market and off market , dematerialization , pledge / un pledge requests, transaction communication to clients are maintained and preserved for a period of eight years from the date of the transaction between the client and the Bharathi Share Broking Private Limited.

The company shall share these records on a timely basis to the competent investigating authorities when required in a manner that can be retrieved easily and quickly. In situations when the records related to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

### **Cash Transactions**

All are requested not to accept cash from the clients whether against obligations or as margin for purchase of securities or otherwise. All payments shall be received from the clients strictly by account payee crossed cheques drawn in favor of Bharathi Share Broking Private Limited. The same is also required as per SEBI circular no. SMD/ED/IR/3/23321 dated November 18, 1993 and SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003.

In case account payee cheques have been received from a bank account other than that captured in records the same can be accepted after ascertaining that the client is the first holder of the account. Relevant copies of the supporting documents should be sent to HO and details of such accounts should be captured in records.

Only in exceptional cases, bank draft/pay-order may be accepted from the client provided identity of remitter/purchaser written on the draft/pay-order matches with that of client and it should accompany with certified copy of the passbook/bank statement for the account debited to issue the instrument.

**Procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 – Directions to stock exchanges and registered intermediaries**

1. The Government of India, Ministry of Finance has issued an order dated January 30, 2023 vide F. No. P-12011/14/2022-ES Cell-DOR (“the Order”) detailing the procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (“WMD Act”). The Order may be accessed by clicking on DoR\_Section\_12A\_WMD.pdf.
2. In terms of Section 12A of the WMD Act, the Central Government is empowered as under:

“(2) For prevention of financing by any person of any activity which is prohibited under the WMD Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems, the Central Government shall have power to—

  - (a) Freeze, seize or attach funds or other financial assets or economic resources—
    - (i) owned or controlled, wholly or jointly, directly or indirectly, by such person; or
    - (ii) held by or on behalf of, or at the direction of, such person; or
    - (iii) derived or generated from the funds or other assets owned or controlled, directly or indirectly, by such person;
  - (b) prohibit any person from making funds, financial assets or economic resources or related

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services available for the benefit of persons related to any activity which is prohibited under the WMD Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems.

(3) The Central Government may exercise its powers under this section through any authority who has been assigned the power under sub-section (1) of section 7.”

3. The stock exchanges and registered intermediaries are directed to comply with the procedure laid down in the said Order.
4. The stock exchanges and registered intermediaries shall:
  - (i) Maintain the list of individuals/entities (“Designated List”) and update it, without delay, in terms of paragraph 2.1 of the Order;
  - (ii) verify if the particulars of the entities/individual, party to the financial transactions, match with the particulars of the Designated List and in case of match, stock exchanges and registered intermediaries shall not carry out such transaction and shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Central Nodal Officer (“CNO”), without delay. The details of the CNO are as under:

**The Director**

FIU-INDIA

Tel.No.:011-23314458, 011-23314459 (FAX)

Email: dir@fiuindia.gov.in

**When to Report**

In terms of the PMLA rules, the company reports information relating to cash and suspicious transactions to the Director, Financial, Intelligence Unit-India (FIU- IND) 6th Floor, Hotel Samarat, Chanakyapuri, New Delhi - 110021 as per the schedule given below:

**Designated Principal Officer**

As required by the Prevention of Money Laundering Act, 2002, the company has appointed the director Mr. D. Bangaru Babu as the Principal Officer.

The Principal Officer shall ensure that:

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1. The PMLA Guidelines and the Board approved PMLA policy is implemented effectively by the company.
2. The identification and assessment of potentially suspicious transactions are done on the regular basis.
3. Reports the suspicious transactions to the concerned authorities within the specific time as per the PMLA policy.
- 4 To respond promptly to any request for information, including KYC related information, made by the regulators, FIU- IND and other statutory authorities

His contact details

Mr. N. Subramanian,

Director

Flat No.9 Second Floor Sucon Padamalaya

Old No.3, New No.5 Venkatanaraya Road

T.Nagar, Chennai – 600 017

044-24332492

Email: [compliance@bharathidirect.com](mailto:compliance@bharathidirect.com)

### **Appointment of a Designated Director**

This is with reference to the SEBI circular No CIR/MIRSD/1/2014 dated March 12, 2014 and Exchange Circulars Ref. No. NSE/INVG/26173 dated March 13, 2014 regarding 'Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Obligations of Securities Market Intermediaries under the Prevention of Money laundering Act, 2002 and Rules framed there under'. The company has appointed the compliance officer Mr. N.Subramanian as a 'Designated Director' in addition to Principal Officer to comply with AML/CFT requirements. 'The designated director appointment shall be communicated to Director –FIU-IND

| Name of the Designated Director | Qualification | Designation in the company | Address of the Head Office                                                                                                         | Contact Details with authorized email id                |
|---------------------------------|---------------|----------------------------|------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| N.Subramanian                   | FCA, AICWA    | Director                   | Flat No.9<br>Second Floor<br>Sucon<br>Padamalaya,<br>Old No.3,<br>New No.5<br>Venkatanarayana Road<br>T.Nagar<br>Chennai – 600 017 | 044-24332492<br>Email:<br>compliance@bharathidirect.com |

### **PMLA Training**

The company conducts training programme to staffs so that they are adequately trained in KYC / AML procedures and fully understand the rationale behind the KYC / AML policies and Implement them consistently. The training is conducted by Mr. N,Subramanian. The training programme is conducted on 18-Apr -2024

### **Employees' Hiring:**

We have adequate screening procedures in place to ensure high standards when hiring employees for dealing with PMLA requirements are suitable and competent to perform their duties.

### **Investor 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 may circulate the PMLA Circulars and other specific literature/



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pamphlets etc. so as to educate the client of the objectives of the AML/CFT program. The importance of the same is also made known to them at the time of opening the Account.

### **List of Designated Individuals/ Entities**

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>.

BSBPL shall ensure that accounts are not opened in the name of anyone whose name appears in said list. BSBPL 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.

### **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. Accordingly, we need to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously.

### **Reporting to Financial Intelligence Unit-India**

In terms of the PML Rules, we are required to report information relating to suspicious transactions to the Director, Financial Intelligence Unit-India (FIUIND) at the following address:  
Director, FIU-IND,  
Financial Intelligence Unit-India, 6th Floor,  
Hotel Samrat,  
Chanakyapuri, New Delhi-110021.



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Website: <http://fiuindia.gov.in>

We shall carefully go through all the reporting requirements and formats that are available on the website of FIU – IND under the Section Obligation of Reporting Entity – Furnishing Information – Reporting Format ([https://fiuindia.gov.in/files/downloads/Filing\\_Information.html](https://fiuindia.gov.in/files/downloads/Filing_Information.html)). These documents contain detailed directives on the compilation and manner/ procedure of submission of the reports to FIU-IND. The related hardware and technical requirement for preparing reports, the related data files and data structures thereof are also detailed in these documents while detailed instructions for filing all types of reports are given in the instructions part of the related formats, we shall adhere to the following:

- a) 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.
- b) The Principal Officer will be responsible for timely submission of STR to FIU-IND;
- c) Utmost confidentiality shall be maintained in filing of STR to FIU-IND.
- d) No nil reporting needs to be made to FIU-IND in case there are no suspicious transactions to be reported

We shall not put any restrictions on operations in the accounts where an STR has been made. 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.

It is clarified that the registered intermediaries, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

### **Review of PMLA Policy**

Any new amendments to the Prevention of Money-laundering Act, 2002 (PML Act), amendments to the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 (PML Rules), shall be discussed in the board on annual basis and accordingly the consequential modifications and additions are included in the policy document.

Policy Prepared by D.Bangaru Babu (Compliance Officer)  
Policy Reviewed by N.Subramanian (Designated Director)

The company has reviewed the PMLA policy on 18-Apr-2025