

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

1. Background

The Prevention of Money Laundering Act, 2002 has come into effect from 1st July 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, Government of India.

As per the provisions of the Act, 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 Securities and Exchange Board of India Act, 1992) 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 lacs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
- All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as demat account, security account maintained by the registered intermediary.

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' should also be considered.

2. Policy on PMLA

It is the policy to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal 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. The same is done in three phases i.e. Placement Phase, Laying Phase & Integration Phase.

3. Principal Officer Appointment/Designation and Duties

Shri Suresh Nemani has been designated / appointed as the Principal Officer for its Anti-Money Laundering Program, with full responsibility for the company's AML program. Shri Suresh Nemani is Chartered Accountant and is qualified by experience, knowledge and training. The duties of the Principal Officer will include monitoring the firm's compliance with AML obligations and overseeing communication and training for employees. 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)

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Suresh Nemani



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The firm has provided the FIU with contact information for the Principal Officer, including name, title, mailing address, e-mail address, telephone number and facsimile number. The firm will promptly notify FIU of any change to this information.

In addition to the designation of a Principal Officer, designated director is appointed as per the amendments of PMLA Act, 2002 and PMLA Rules. Details of the Designated Director viz. name, designation and address are informed to the Director, FIU-IND.

4. Panel of Committee:

By virtue of the PMLA regulations and with a view to implement the regulations, PMLA Committee is formed to review the existing norms and implement the policy with a view of complying with the regulations. The panel of Committee consists of Ajay Shah - Director, Sushil Shah- Director, Durga Mishra – Head of Account Opening and DP operations Mr. Sanjay Shah - RMS head and Mr. Suresh Nemani – Compliance Officer/ Principal Officer.

We have software “TSS Small Office” (Tanna PMLA Software) from vendor- TSS Consultancy Pvt. Ltd (Formerly know as Tanna Software Solutions Pvt. Ltd.) which helps us to monitor client trading activities and throws alerts depending on the client categorization based on the criteria defined in the system.

The following three specific parameters which are related to the ‘Client Due Diligence Process’:

- a. Policy for acceptance of clients
- b. Procedure for identifying the clients
- c. Suspicious Transaction Identification, Monitoring and Reporting

5. Customer Due Diligence

Customer Due Diligence (“CDD”) measures is carried out by us and comprises the following:

- i. Maintenance of complete KYC as per prescribed format alongwith proof of address, proof of identity, PAN, occupation details, financial details, bank & demat account details etc. as per SEBI guidelines/circulars from time to time.
- ii. In-Person Verification is done for the clients at the time of registration . Sufficient information is obtained in order to identify persons who beneficially own or control securities account on whose behalf a transaction is being conducted viz demat proof
- iii. We verify the customer’s identity using reliable, independent source documents, data or information;
- iv. We obtain documentary evidence in support of financial information from the clients in Derivative & Currency Segment. Further, review of client financial information on a periodic basis for existing clients.
- v. Client is also screen through OFAC list of entities and UNSC & SEBI debarred list via Tanna software.
- vi. In order to verify address of the client, welcome letter shall be sent through REG AD. to all the clients on the address provided in KYC. In case of bounce/return REGD AD. correct address alongwith the proofs will be sought from the client. If the same are not provided within stipulated time frame then trading account of said client is “frozen”.

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- vii. 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 customer, its background/financial status, its business and risk profile, taking into account where necessary, the customer's source of funds. On an periodic basis or as and when there are changes guidelines there will be review of information provided by the client and update the relevant client database under client due diligence process.
- viii. Risk Categorization of clients
 - ix. Clients of special category (CSC) & PEP

Identification and Verification of the clients is not carried out by third party.

5.a. Customer Acceptance Policy:

For New Clients :

The following safeguards are to be followed while accepting the clients.

- Ascertain the category of clients before registration as clients i.e. (Individual, Non-Individual, FII, Mutual Fund, PMS etc.). Client is checked for KRA Compliance or KYC KRA should be done for clients as per SEBI Guidelines/Circular
- Additional information of KYC Compliance should be done for clients as per SEBI Circular as issued from time to time. Identity proof (PAN Card), address proof, bank and demat proofs are obtained from the clients as a part of mandatory documents as per prescribed checklist for relevant category of clients.
- Clients should be met in person. The client should visit the office/branch or concerned official may visit the client at his residence / office address to get the necessary KYC documents filled in and signed.
- We should obtain complete information from the client. It should be ensured that KYC should be filled in completely. Incomplete KYC should not be accepted by us. All photocopies submitted by the client should be checked against original documents.
- PAN card has been verified with the original and cross checked the data available on Income-tax Website.
- Check and monitor SEBI orders regarding debarred entities on daily basis and capture the same in our backoffice master and ensure that no person is registered as constituent/client who has been banned from trading in the stock market.
- We should be careful while accepting Clients of Special category: We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, clients with dubious background. Current/Former Head of State,

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