

**POLICIES AND PROCEDURE FOR PREVENTION OF MONEY LAUNDERING AND
COMBATING THE FINANCING OF TERRORISM (CFT)
(Issued as per the requirements of the PMLA Act and Rules 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 Combating Prevention of Money Laundering (PMLA) and Terrorist Financing (TF)

It is the policy to stipulate the essential principles to Combating Money Laundering (ML) and Terrorist Financing (TF) and shall implement to discourage and to identify money laundering or terrorist financing activities or criminal activities. SEBI has from time to time issued circulars/directives with regard to Know Your Client (KYC), Client Due Diligence (CDD), Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) specifying the minimum requirements. 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

Dated : 27th January 2023

Version : 2.0.12

Dushah  *Suresh Nemani*

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)

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, Mr. Mahesh Wagh- DVP DP Department, Mr. Sanjay Shah - RMS head and Mr. Suresh Nemani – Compliance Officer/ Principal Officer.

We have software “Trackwizz” (formerly known as Tanna PMLA Software) from TSS Consultancy Pvt. Ltd which helps us to monitor various PMLA compliances viz. monitoring client trading activities and throws alerts depending on 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 and Enhanced 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. 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. Clients are screened through OFAC list of entities and UNSC & SEBI debarred list via PMLA software.
- vi. In order to verify address of the client, welcome letter shall be sent through physical post to all the clients on the address provided in KYC. In case of bounce/return correct address alongwith the proofs shall sought from the client.
- 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

Dated : 27th January 2023

Version : 2.0.12

Rushabh



Suresh Nemani

- 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 a periodic basis or as and when there are changes in the information provided by the client, same shall be updated in the database.
- viii. Further, as a part of surveillance measures, we block scrips which are in the nature of illiquid, SMS unsolicited messages related scrips, ASM and GSM. Such scrips are allowed for trades only after due approval of the senior management.
 - ix. We send Do's and Don'ts to our clients as a part of contract notes and welcome kit to spread awareness regarding dealing in securities market.
 - x. Payments/Securities from the clients are received from the mapped bank account/ demat account of the client. Payment/Delivery of securities to clients are also done in the default bank account/demat account. Various reports viz.contract note, statement of accounts etc. are sent to the registered email id of the client. Internal alerts are generated and if required, surveillance related letter are also to the clients via REG AD/Indian post and reply is sought from the client.
 - xi. Risk Categorization of clients
 - xii. Clients of special category (CSC) & PEP
 - xiii. Identification and Verification of the clients is not carried out by third party.

Enhanced Due Diligence

At the time of on-boarding of clients, clients are screened through OFAC list of entities and UNSC and , FATF, PEP, SEBI debarred list. While screening if there is match of common name with any source of database viz. UNSC / PEP, we verify the other credentials of the clients in order to ascertain the identity of the client. We also take self declaration from the client that stating that client is not related to the one as per the source database. The entities which are debarred by SEBI are monitored on a daily basis. Screening of such PAN with our clients database is done on a daily basis. If the PAN of the entity debarred by SEBI matches with our client database, such client is blocked for further trading and the demat account of such clients is frozen on an immediate basis.

Conduct ongoing due diligence and scrutiny, i.e. perform ongoing scrutiny of the transactions so as to ensure that the transactions being carried out are consistent within knowledge of the customer, its background and financial details. The alerts based on the financial income of the clients are generated through Trackwizz and necessary documents are to be taken from the clients to update the income.

In cases wherein there are multiple transfer or unusual off market transactions in the BO ids, the details and the reason for such off market transfer of shares is to be sought. Detailed analysis of the transaction is required to be done by us. Any additional documents viz. demat statement of the account from where any off market transfers is to be sought by us.

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

Dated : 27th January 2023
Version : 2.0.12

Anshah

Soman

- 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.
- In-person verification is done by our registered Sub-broker/Authorized Persons for their respective clients and KYC related supporting documents are also verified with the originals by them at the time of account opening. In case of direct client, same is done by our employee.
- 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, Current/Former senior high profile politician, Companies offering foreign exchange, etc.).
- We should not open accounts where we are unable to apply appropriate KYC and Risk Disclosure and due diligence. This may be applicable 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 cooperation of the client in providing full and complete information. For e.g. Cases where names mentioned on the KYC and that on the PAN Card do not match etc.
- The Client's trading account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. In case the client is unable/not willing to provide information/document, we have sufficient reason to reject the client or delay opening the account till everything is provided.
- In case of Non Individual clients like, corporate, Partnership firms, etc. balance sheet shall be sought
- Client is also screen through OFAC list of entities and UNSC & SEBI debarred list via "Trackwizz" Application of TSS Consultancy Pvt Ltd & through back-office system.
- The PAN which are debarred by SEBI if matches with our database of clients, the same are blocked for further trading. Funds of such clients are also kept on hold till further instruction of SEBI/ Exchanges. Demat accounts of such clients are frozen as per the instructions of CDSL/ SEBI.

Dated : 27th January 2023
Version : 2.0.12

Anushah


- That sufficient information has been obtained to identify persons who shall beneficially own or control the trading account, whenever it is apparent that the securities proposed to be acquired through the account are likely to be beneficially owned by entity(ies) other than the client in whose name the account is proposed to be opened. Verify the customer's identity using reliable, independent source documents, data or information; In case of corporate/Firm/Trust copy of identity proof & address etc should be obtained alongwith demat & bank proof
- SEBI vide its circular no.CIR/MIRSD/2/2013 dated January 24, 2013 has issued guidelines on identification of Beneficial ownership. Provisions with respect to the determination of beneficial ownership as mentioned below needs to be followed while opening account and subsequently for identifying beneficial owner by KYC department.

Sr. No.	Nature of Client	BO Identification Criteria
1.	person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals	<p>(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**</p> <p>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.</p> <p>(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.</p>
2.	For client which is a trust:	Where the client is a trust, the Company 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.
3.	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.	
4.	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, for the purpose of identification of beneficial ownership of the client.	

Dated : 27th January 2023
Version : 2.0.12



The provisions of this circular shall come into force with immediate effect.

** 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.

In case of corporates, partnership firm, Association of person, 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. We take the shareholding pattern from the corporate clients to identify beneficial ownership and review the same. In case, of a corporate shareholder, than additional shareholding of that corporate is also taken to locate the ultimate beneficial owner. In case of trusts, we 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.

For existing clients:

- Updation and Review of the financial details of the client by obtaining the latest Income Tax Return, Bank Statement, Networth Certificate, Annual Accounts etc.
- Update the details of the client like address, contact number, demat details, bank details etc. as informed by client from time to time.
- Ensure Internal Control and General Policy and Procedures Policy.
- Check whether the client's identity/PAN matches with any person on SEBI debarred list
- Client is also screen through OFAC list of entities and UNSC & SEBI debarred list via "Trackwizz" Application (Trackwizz PMLA Software) of vendor TSS Consultancy Pvt Ltd.
- Review/monitor the above details ongoing basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer's source of funds. The same is done with the help of Trackwizz Software.

5.b. Customer Identification and Verification

At the time of opening an account or executing any transaction with it, we will verify and maintain the record of identity and current address or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status as under

Dated : 27th January 2023
Version : 2.0.12



Constitution of Client	Proof of Identity	Proof of Address	Others
Individual	1. PAN Card	2. Copy of Bank Statement, etc	3. N.A.
Company	4. PAN Card 5. Certificate of incorporation 6. Memorandum and Articles of Association 7. Resolution of Board of Directors	8. As above	9. Proof of Identity of the Directors/Others authorized to trade on behalf of the firm
Partnership Firm	10. PAN Card 11. Registration certificate 12. Partnership deed	13. As above	14. Proof of Identity of the Partners/Others authorized to trade on behalf of the firm
Trust	15. PAN Card 16. Registration certificate 17. Trust deed	18. As above	19. Proof of Identity of the Trustees/ others authorized to trade on behalf of the trust
AOP/ BOI	20. PAN Card 21. Resolution of the managing body 22. Documents to collectively establish the legal existence of such an AOP/ BOI 23. Aadhar Card	24. As above	25. Proof of Identity of the Persons authorized to trade on behalf of the AOP/ BOI

- To obtain sufficient information about the client and identify actual beneficiary of transactions or on whose behalf transactions are conducted viz demat proof
- The client should be identified by using reliable sources including documents/information. Obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the leadership.
- For verification of address of the client, welcome letter are sent through Physical Post. to all the clients on the address provided in KYC. In case of bounce/return Physical Post correct address alongwith the proofs are sought from the client. If the same are not provided within stipulated time frame then trading account of said client is 'frozen'.
- To ensure that maker-checker facility is in place for all its operation as a risk management measure as well as to increase efficiency.
- Trackwizz PMLA Software helps us to identify PEP clients in the system and if any of our client is PEP then it throws an alert and is also marked as PEP and categorised as High Risk Client.
- Necessary checks are in place while accepting clients of special category and same is done via Trackwizz PMLA Software

Dated : 27th January 2023
Version : 2.0.12



- If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, we will not open the new account.
- PAN card has been verified with the original and cross checked the data available on Income-tax Website.
- We shall maintain records of all identification information for ten years after the account has been closed

SEBI has clarified in consultation with UIDAI and the market participants, to accept e-KYC service launched by UIDAI also, as a valid process for KYC verification. The information containing relevant client details and photograph made available from UIDAI as a result of e-KYC process shall be treated as sufficient both as identity as well as address proof.

❖ **Risk Categorization/Risk Assessment of the clients:**

As per the requirement of the regulations, each and every client should be categorized into high, medium and low risk based on the risk perceived by the client w.r.t. PMLA. The clients may be of a higher/lower or medium risk category depending on circumstances or risk assessment such as the customer's background, its countries or geographical areas, type of business relationship or nature and volume of transaction its trading pattern, mode & Pattern of payment etc.

Risk assessment process shall also take into consideration any country specific information and client will also screen through OFAC list of entities and UNSC & SEBI debarred list

We should apply each of the clients due diligence measures on a risk sensitive basis. We should adopt an enhanced customer due diligence process for higher risk categories of customers. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of customers. In line with the risk-based approach, we should obtain type and amount of identification information and documents necessarily dependent on the risk category of a particular customer.

With a view to comply with the same, we have laid down the following criteria and on its basis we have identified clients into high, medium and low risk clients.

1. Clients having debits for more than 21 days should be classified as High Risk Clients.
2. Clients falling in 7-days position square-off category would be classified as Medium Risk Clients.
3. And others who not falling within the above mentioned slabs will be classified as Low Risk Clients.
4. Further, on the basis of payment/trading patterns existing High Risk & Medium Risk clients can be reviewed and they can be re-classified depending upon the above referred criteria.
5. The categorization done on the aforementioned criteria should be reviewed twice a year and same needs to be updated on a dynamic basis also if required.

❖ **Clients of special category (CSC):**

Such clients include the following for which enhanced degree of client due diligence has been adopted

- a. Non resident clients
- b. High Network Clients,
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Companies having close family shareholdings or beneficial ownership
- e. Politically exposed persons (PEP) of foreign origin

Dated : 27th January 2023

Version : 2.0.12

Anshul



- f. Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
- g. Companies offering foreign exchange offerings
- h. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.
- i. Non face to face clients
- j. Clients with dubious reputation as per public information available etc.

Such categorization has been done in the Trackwizz Software. Clients of special category will be marked as High Risk Clients and shall be closely monitored.

5.c. Suspicious Transaction Identification, Monitoring and Reporting

Under PMLA, "suspicious transaction" means a transaction whether or not made in cash which, to a person acting in good faith -

- a. gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- b. appears to be made in circumstances of unusual or unjustified complexity; or
- c. appears to have no economic rationale or bonafide purpose; or
- d. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

It will be monitored through Trackwizz PMLA Software for all complex, unusual large transactions and all unusual trading patterns to ascertain any suspicious transactions which have no apparent economic or visible lawful purpose.

The background including all related documents, data, office records and clarification/explanation pertaining to such transactions to be examined carefully and findings thereof to be recorded and maintained in PMLA software and as well as in physical (wherever required). Such records, findings, and related documents to be made available to auditors and to SEBI/Stock Exchange/FIU-IND/Depository/other relevant authorities, during audit, inspection or as an when required. These records are to be persevered for a period of five years as required under PMLA 2002.

It should be ensured that record of transactions is persevered and maintained in terms of section 12 of PMLA 2002 and that transaction of suspicious nature or any other transactions notified under section 12 of the act is reported to the appropriate law authority. Suspicious transactions should also be regularly reported to Management/Compliance Officer/Principal Officer.

Indicative list of suspicious transactions including the alert indicators specified under red flag indicators are as follows:

- a) False Identification documents submitted by the client at time of account opening or clients whose identity verification seems difficult or clients appears not to cooperate
- b) suspicion over the real beneficiary of the account holder
- c) artificial volume creation
- d) high value deals – Net money in/ out in a particular day as comparison to the disclosed income

Dated : 27th January 2023

Version : 2.0.12

Rushabh



Rushabh

- e) Suspicious background or links with known criminals.
- f) Unusual activity compared with past transactions.
- g) Sudden activity in dormant accounts/ new account.
- h) Substantial increases in volume without apparent cause
- i) Synchronized Trading
- j) Off-market transactions in the DP account of clients
- k) Options trading which does commensurate with the changes in the prices of underlying security in the cash segment.
- l) High exposures /Trading done by clients take by client as compared to income levels informed by clients.
- m) Structured deals- frequent trades avoiding bulk trades by a client at prices away from the normal market prices.
- n) Huge transactions in illiquid scrips
- o) Unusual high turnover of transactions in comparison with disclosed income
- p) Customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- q) Unexplained transfers from multiple accounts to a single common BO account vice-versa without any rationale/reason etc
- r) Unusual transactions by CSCs

In Trackwizz Software, points are defined for each parameters and for AML Reports and same are reviewed on the basis of trading pattern of the client. Alerts are generated based on such points system as defined in the system for the relevant parameters.

With reference to BSE circular no. 20130307-21 and NSE circular no.NSE/INVG/22908 dated 07.03.2013 on surveillance obligations for trading members. Exchanges will be sending us the transaction alerts based on parameters mentioned in the circular w.e.f. 02.04.2013. Further we are required to analyze the alerts and carry out due diligence of the clients on continuous basis.

We use Trackwizz software for PMLA related compliances:

Following AML Reports/alerts are generated through Trackwizz Software

1. Client Scrip Concentration
2. Client Exchange Volume
3. Synchronized Trading
4. Illiquid Scrips
5. Client Purchase to Income
6. Profit Loss Transfer
7. Cross Segment Client Strength
8. Financial Transaction
9. Dormant Client
10. Exchange Alerts (BSE e-boss & NSE Member portal alerts)
11. Client Exchange Open Interest
12. Option Fair Value
13. Case Manager
14. CDSL Alerts

Dated : 27th January 2023

Version : 2.0.12

Aushah


CDSL Alerts contains following alerts:

1. **FIU 1** – Details of debit and credit transactions due to Off-market or Inter-depository transfers, involving 'x' shares or more, or having value of Rs. 'y' and above, whichever is smaller, in an account, in an ISIN, in a single transaction or series of transactions executed during the fortnight.
2. **FIU 2** – Details of debit and credit transactions due to demat, remat and pledge involving 'x' shares or more in an account, in an ISIN, in a single transaction or series of transactions executed during the fortnight
3. **FIU 3** –Details of debit and credit transactions involving 'x' shares or more or having value of Rs. 'y' and above, whichever is smaller in an account, in an ISIN, which exceed 'n' times the average size of the transaction calculated for the previous months' transactions.
4. **FIU 4** –Details of Off-market transactions (within CDSL or Inter-depository) where there are more than 'x' transactions in an account, for the past fortnight.
5. **FIU 5** –Any debit transaction in a dormant account for more than 'x' shares or Rs. 'y', whichever is smaller, will be reported as an alert. An account having no 'Debit' Transaction' in the last 'n' months will be considered as 'Dormant' account for this purpose.

FIU-IND vide its email dated July 22, 2022 has informed the depositories, regarding implementation of Supplemental Guidelines issued by FIU-IND dated July 21, 2022, for detecting suspicious transactions under rule7(3) of Prevention of Money Laundering (Maintenance of Records) Rules,2005.

FIU-IND has also advised depositories to generate alerts based on the supplemental guidelines. Accordingly, the alerts shall be generating on the based on the parameters defined under the said guidelines by using Trackwizz application.

SR. NO.	ALERT INDICATOR	Description for the alerts
1	TM 13 - Off Market transfer to unrelated accounts.	Debits due to off-market transfers to unrelated accounts, having value of ₹ 25 lakh or above in a single transaction or series of transactions executed in an account, for specified reason codes (off market sale, gift and donation) and where transaction value is greater than 5 times of income range.
2	TM13A - Suspicious Off Market Transactions.	Off market credits and debit transfers, involving 50,000 or more shares or having value of ₹ 25 lakh or above in a single transaction or series of transactions executed in an account in an ISIN (listed equity only), followed by 80% of shares getting debited by way of off-market transfers to 3 or more unrelated accounts, during the month.
3	TM 13B - Off Market delivery in Unlisted Scrip.	Off market debit transfers to unrelated accounts involving 5 lakh or more unlisted equity shares transferred under specified reason codes (off market sale, donation and gift) during the month, in a single transaction or series of transactions.
4	TM 13C - Off-market transfer related to Gift, Donation.	Off market debit transfers in listed equity shares having value beyond 5 times of income range / net worth (as updated in demat account) under specified reason codes (family account transfer, gift and donation) and having transaction value as ₹ 5 lakh or above

Dated : 27th January 2023
Version : 2.0.12



5	TM 13D - Off Market transfer at variance with market value.	Off-market transfers (reason code – off market sale) in listed equity shares having value of ₹ 25 lakh and above where difference is of +/- 50% (or above) between consideration value mentioned by beneficial owner and prevailing market value.
6	TM 13E - Off Market transfer in suspicious scrip.	Off-market transfers in listed equity shares identified as suspicious by stock exchanges, having value of ₹ 2 lakh and above in a single transaction or series of transactions.
7	EI 13 - Suspicious Closure of Account.	Accounts closed within 30 days of opening, after single or series of debit transfers [on market, off-market (including inter depository transfer(s))] amounting to ₹ 10 lakh or above.

There is also a watch list – Client Matching Report which throws alerts on SEBI debarred matched clients, OFAC list/UNSC list and PEP.

System generates alerts based on few set parameters/points. The same are monitor, analyze and examine all alerts and suspicious reports and take necessary actions as necessary. The same is then informed to panel of committee that appears to be of suspicious nature.

On examining, analyzing the trading pattern and alerts of the client, need be, letter is sent to the client via Physical Post seeking explanation for such trades. Further, if any alert is found to be suspicious, principal officer alongwith the management may decide to file STR to FIU within seven days of arriving at a conclusion that any transaction or connected are of suspicious nature.

Systems are in place for reporting of STR to FIU in a prescribed format as per the regulations and guidelines.

Records of all such data are preserved and maintained as per PMLA guidelines.

Further, Utmost confidentiality shall be maintained in filing of STR to FIU India.

We shall not put any restrictions on operations in the accounts where an STR has been made. We shall be prohibited from disclosing (tipping off) the fact that a STR or related information is being reported or provided to FIU IND. This prohibition on tipping off extends not only to the filing of STR / 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.

Broad categories of reason for suspicion and examples of suspicious transactions for an intermediary 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

Dated : 27th January 2023
Version : 2.0.12

Anshu
Sharma



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 bonafide 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

Limit setting is done for all terminals as per exchanges guidelines

List of Designated Individuals/ Entities

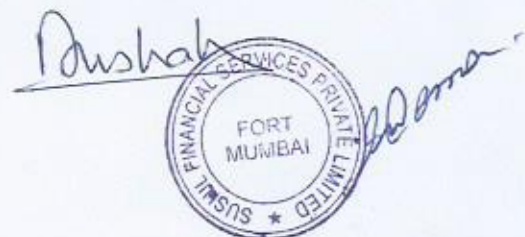
An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>. We shall ensure that accounts are not opened in the name of anyone whose name appears in said list. The same is monitored through Trackwizz Software.

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.

Dated : 27th January 2023
Version : 2.0.12



SEBI has issued its circular no. SEBI/HO/ MIRSD/ DOP/ CIR/P/2019/ 69 dated May 28, 2019 communicating The Central Government order no.14014/01/2019/CFT dated 14th March 2019. Accordingly, SEBI Order dated August 27, 2009 has been modified and the detailed procedure has been laid down to comply with section 51 A of UAPA Act, 1967.

Under the said order, it has been mentioned that the list of designated individual and entities shall be updated on a regular basis by the Ministry of External affairs and shall be forwarded to Stock Exchanges/ Banks by FIU IND / Nodal officers of the regulators. SEBI / RBI and IRDA would issue necessary guidelines requiring them and the intermediaries are required to do as under:

- maintain the updated lists in electronic form and run a check on a given parameter on a regular basis to verify whether the designated individuals or entities listed in the order are holding any funds, financial assets or economic resources or related services held in the form of bank account , stocks or insurance policies with them.
- In case of any customer matching with the particular designated individuals, the depository/ intermediaries shall not later than 24 hours from the time of finding out such customer, inform the full particulars of the funds/ financial assets or economic resources or related services held in the form of bank accounts, stocks or insurance policies etc. shall inform Joint Secretary (CTCR) as per the prescribed guidelines in the aforementioned order.
- In case the match of any of the customers with the particulars of designated entities, the intermediaries would prevent designated persons from conducting the financial transactions shall inform Joint Secretary (CTCR) as per the prescribed guidelines in the aforementioned order.
- The intermediaries are also required to file a Suspicious Transactions Report (STR) with FIU-IND covering all transactions in the aforementioned accounts.

The same is taken care through our software Trackwizz under the tab AML-Screening – Watch List data record details – watch List Source - UAPA

6. AML Record Keeping

The following document retention terms should be observed:

- (a) All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.
- (b) Records on customer identification and of beneficial owners (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), as well as account files and business correspondence should be maintained and preserved for the period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.
- (c) The transactions should also be maintained and preserved for a period of five years from the date of transaction between the client and intermediary.
- (d) The record of information related to transactions, whether attempted or executed, which are reported to Director, FIU-IND, as required under Rules 7 & 8 of the PMLA Rules, for a period of five years from the date of the transaction between the client and the intermediary.

Dated : 27th January 2023
Version : 2.0.12

Dushah


- (e) In order to align the provisions of the D&P Regulations, 2018 and Master Circular for Depositories on preservation of records, SEBI vide its circular dated 18th August 2020, has mentioned that the DPs are required to preserve the records and documents for a minimum period of 8 years.

7. Employee Hiring and PMLA Awareness to Employees and Investors

We ensure adequate screening procedures at the time of hiring its staff. It shall also ensure that the employees dealing with PMLA requirements are suitable and competent to perform their duties.

FAQ's on PMLA formulated with a view to spread awareness about PMLA guidelines which is circulated to new joinees.

PMLA FAQ's and PMLA Policy are also kept on our internal Communication Link: Intranet for our employees.

Further, with a view to spread awareness amongst investors, we have placed the FAQ's and PMLA Policy on website for the clients. The same is also provided to the new clients as a part of Welcome Kit.

Internal training is also conducted for staff on PMLA on ongoing basis.

8. Review of policy:

We would ensure that the said policy would be reviewed on a yearly basis or as and when there are any regulatory changes issued or notified by SEBI/ CDSL/FIU.

Dated : 27th January 2023
Version : 2.0.12

