

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 reporting entity (which includes intermediaries registered under section 12 of the SEBI Act, i.e. a stock-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, 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 and Stock Exchanges) 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, combat and actively prevent Money Laundering Terrorist Financing 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 a Chartered Accountant and is qualified by experience, knowledge and training. The duties of the Principal Officer shall include monitoring the Company's compliance with prescribed AML obligations and overseeing communication as well as training for employees. The Principal Officer shall also ensure to maintain proper AML records. When warranted, the Principal Officer shall ensure to provide necessary reports with the Financial Intelligence Unit (FIU – IND)

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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 Client, its background/financial status, its business and risk profile, taking into account where necessary, the Client's source of funds. On a periodic basis or as and when there are changes in the information provided by the client, it 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 shall 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 shall be received only from the mapped bank account/ demat account of the clients. Payment/Delivery of securities shall be done in the mapped bank account/demat account of the Clients. 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 letters are also to the clients via e-mail, REGD. AD/Indian post and reply is sought from the client.
- xi. Risk Categorization of clients
- xii. Identify Clients of special category (CSC) & Politically Exposed Person (PEP)
- xiii. Identification and Verification of the clients is not carried out by third party.
- xiv. We shall register the details of Non-Profit Organisation client on DARPAN Portal of NITI Aayog and shall maintain records for 5 years after the business relationship ended with Client.

Enhanced Due Diligence

At the time of on-boarding of clients, client's information are screened through OFAC list of entities and UNSC , FATF, PEP, SEBI debarred list. In case, Client's information is matched with any source of database viz. UNSC / PEP, etc; we shall verify other credentials of the clients in order to ascertain the identity of the client.

We shall also take self-declaration from the client stating that client is not related and /or connected to the one as per the source database.

We shall monitor the entities debarred by SEBI on a daily basis. We shall screen such PAN with our clients database on a daily basis. In case, the PAN of the entity debarred by SEBI matches with our client database, we shall block such client for further trading and shall freeze the demat account of such clients 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 shall to be sought. Detailed analysis of the such transactions shall be done by us. Any additional documents such as demat statement of the source account from where the off market transfers is received shall be sought by us.

5.a. Customer Acceptance Policy:

For New Clients:

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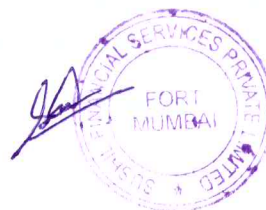
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- The PAN which are debarred by SEBI if matches with our database of clients, the same are blocked for further trading. Funds of such clients are also kept on hold till further instruction of SEBI/ Exchanges. Demat accounts of such clients are frozen as per the instructions of CDSL/ SEBI.
- Obtain sufficient information to identify persons who shall beneficially own or control the trading account, if securities proposed to be acquired through the account are beneficially owned by entity(ies) other than the client in whose name the account is proposed to be opened. Verify the Client'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>i. more than 10% of shares or capital or profits of the juridical person, where the juridical person is a company;</p> <p>ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or</p> <p>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.</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 10% 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.

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	<ul style="list-style-type: none"> Partnership deed 		authorized to trade on behalf of the firm
Trust	<ul style="list-style-type: none"> PAN Card Registration certificate Trust deed 	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> Proof of Identity of the Trustees / others authorized to trade on behalf of the trust
AOP/ BOI	<ul style="list-style-type: none"> PAN Card Resolution of the managing body Documents to collectively establish the legal existence of such an AOP/ BOI Aadhar Card 	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> 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 'freezed'.
- 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 and clients from high risk countries published by FATF 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
- 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.

❖ 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

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

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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
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.

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- 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.

The Central Government order no.14014/01/2019/CFT dated 2nd February, 2021. 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.

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

The same is taken care through our software Trackwizz under the tab STR.

Reporting Entity (REs) Registration, Principal Officer and Designated Officer details has been successfully registered on FINgate2.0 portal.

8. 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.

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.

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

9. 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.

1.



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