

# **Sushil Financial Services Private Limited**

## **Policy and Procedure For Prevention of Money Laundering**

**(Issued as per the requirements of the PMLA Act 2002)**

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14



## 1. Introduction to Anti Money Laundering (AML)

The Prevention of Money Laundering Act, 2002 has come into effect from 1<sup>st</sup> 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.

The Directives as outlined below provide a general background and summary of the main provisions of the applicable anti-money laundering and anti-terrorist financing legislations in India. They also provide guidance on the practical implications of the Prevention of Money Laundering Act, 2002 (PMLA). The Directives also set out the steps that a registered intermediary or its representatives shall implement to discourage and to identify any money laundering or "terrorist Financing activities. The relevance and usefulness of these Directives will be kept under review annually and it may be necessary to issue amendments from time to time.

## 2. Background

This Policy has been framed by Sushil Financial Services Private Limited (**SFSPL / Company**) in order to comply with the applicable Anti Money Laundering (AML) Standards/Combating the Financing of Terrorism (CFT) / Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards from times to time. As per these SEBI guidelines, Company has ensured that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI.

As per the provisions of the PMLA, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the 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.

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





- All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions
- 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 is clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' should also be considered.

We shall adhere to the client account opening procedures, maintenance of records and reporting of such transactions as prescribed by the PMLA and rules notified there under:

The Maintenance of Records Rules empower SEBI to specify the information required to be maintained by the intermediaries and the procedure, manner and form in which it is to be maintained. It also mandates the reporting entities to evolve an internal mechanism having regard to any guidelines issued by the regulator for detecting the transactions specified in the Maintenance of Records Rules and for furnishing information thereof, in such form as may be directed by SEBI.

### 3. 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. The measures taken to combat other organized and serious crimes have all emphasized the need for financial institutional, including securities market intermediaries. 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.

The purpose of this document is to guide all the employees of the Company and employees of its associates on the steps that they are required to take and implement to prevent and identify 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".

### 4. Appointment of Principal Officer /Designated Director

Mr. 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. Mr. 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

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU – IND)

The Company has provided the FIU with contact information for the Principal Officer, including name, title, mailing address, e-mail address, contact details etc. The Company 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.

## 5. 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 is as follows:

Name	Designation
Sushil Shah	Director
Ajay Shah	Director
Mr. Durga Mishra	VP - Depository and Surveillance
Mr. Suresh Nemani	Compliance Officer/ Principal Officer
Dipesh Chauhan	General Manager- Risk Management

## 6. Implementation of this Policy:

We have deployed 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 based on the criteria defined in the system.

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

- 6.a Client Acceptance Policy
- 6.b Procedure for identifying the clients
- 6.c Risk Management
- 6.d Monitoring of Transactions.

### Customer Due Diligence and Enhanced Due Diligence

The major aspect of this policy is the Customer Due Diligence (“CDD”) and the following measures are carried out by us:

- i. Complete KYC documentation is maintained in the prescribed format, including proof of address, proof of identity, PAN, occupation details, financial information, bank and demat account details in accordance with SEBI guidelines and circulars issued from time to time.

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





- ii. In-Person Verification (IPV) is conducted at the time of client registration. Adequate information is collected to identify individuals who beneficially own or control the securities account or on whose behalf transactions are executed including verification through demat account proof.
- iii. The customer's identity is verified using reliable and independent source documents, data or other information.
- iv. Clients in the Derivatives segments are required to provide documentary evidence supporting their financial information. Additionally, client financials are reviewed periodically for existing clients.
- v. Clients are screened against the OFAC list, as well as the UNSC and SEBI debarred entities list using PMLA-compliant software.
- vi. To verify the client's address, a welcome letter is sent via physical post to the address provided in the KYC. In case the letter is returned undelivered, updated address details along with supporting proof are obtained from the client.
- vii. Ongoing due diligence is conducted throughout the client relationship, including continuous monitoring of transactions and account activity. This ensures consistency with the intermediary's knowledge of the client, including their financial background, business and risk profile. Updates to client information are made periodically or as changes are reported.
- viii. As part of surveillance measures, trading in certain scrips—such as illiquid stocks, those subject to unsolicited SMS messages or those under ASM/GSM frameworks—is restricted. These scrips are only permitted for trading upon approval from senior management.
- ix. To promote investor awareness, a list of Do's and Don'ts and other related links are included in electronic contract notes and the welcome kit provided to clients.
- x. Payments and securities are accepted only from the client's mapped bank and demat accounts. Deliveries and payments to clients are also made through their default bank/demat accounts. Reports such as contract notes and account statements are sent to the registered email ID. Internal alerts are generated, and where necessary, surveillance-related communications are sent via Registered AD/Indian Post with responses sought from the client.
- xi. Clients are categorized based on their risk profiles.
- xii. Special category clients (CSC) and Politically Exposed Persons (PEPs) are identified and monitored accordingly.

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





- xiii. Identification and verification of clients is conducted internally and not outsourced to third parties.

### **Enhanced Due Diligence**

At the time of client onboarding, all clients are screened against various watch list including the OFAC list, UNSC sanctions list, FATF high-risk jurisdictions, Politically Exposed Persons (PEP) list, and SEBI's debarred entities list.

In cases where a common name appears across any of these databases (e.g., UNSC or PEP) further verification of the client's credentials shall be carried out to confirm their identity. Additionally, a self-declaration shall be taken from the Client confirming that they are not associated with any entity or individual listed in these databases.

Entities debarred by SEBI shall be actively monitored on a daily basis. Daily screening of PANs from the SEBI debarred list shall be conducted against our client database. If a match is found, the concerned client should be immediately blocked for further trading and their demat account shall be freeze without delay.

Ongoing due diligence shall be performed to ensure that client transactions remain consistent with the intermediary's understanding of the client's background, financial profile and declared source of income. Alerts are generated through the Trackwizz system based on discrepancies between transaction volume and declared income. In such cases, clients shall be advised to submit updated income documents to support the activity and refresh their financial profile.

Instances of multiple or unusual off-market transfers of securities in a client's Beneficial Owner (BO) account, detailed information and justification for such transfers are obtained. A comprehensive analysis of the transaction is conducted, and clients are required to provide supporting documents, such as the demat statement from the account involved in the off-market transfer.

### **6.a Client Acceptance Policy:**

#### **For New Clients:**

The following safeguards shall be followed by the Company while accepting the clients.

- No account shall be opened in a fictitious / benami name or on an anonymous basis.
- Factors of risk perception (in 'terms of monitoring suspicious transactions) of the client shall be 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

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





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.

- To ascertain the category of clients i.e. (Individual, Non-Individual, FII, Mutual Fund, PMS etc.) To ensure that Clients have completed KRA as required under SEBI Guidelines /Circular
- Additional KYC compliance information must be collected from clients in accordance with SEBI circulars issued from time to time. As part of the mandatory documentation, identity proof such as PAN Card, address proof, bank and Demat account details are obtained based on the prescribed checklist relevant to the client's category. "In-person verification" shall be done by our registered 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 shall be done by our employee.
- We shall obtain complete information from the client and shall ensure that the KYC form is fully filled out. Incomplete KYC submissions should not be accepted. All photocopies provided by the client must be verified against the original documents. PAN card details must be verified with the original and cross checked the data on Income-tax Website.
- We shall check and monitor orders passed by SEBI debarring entities or individuals on daily basis and verify in our backoffice master to ensure that no such person or entity gets registered with us as constituent/client who has been banned from trading in the stock market.
- We shall be cautious 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 shall not open accounts if we are unable to apply appropriate KYC, 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 shall be open only upon receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. In case the client is unable to/not willing to provide information/document, it is sufficient reason to reject the client or delay opening the account till everything is provided.

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





- In case of Non Individual clients like Corporate, Partnership Firms, etc. balance sheet shall be a mandatory document.
- Client is also screen through OFAC list of entities and UNSC & SEBI debarred list via "Trackwizz" Application of TSS Consultancy Private Limited & through back-office system.
- Sufficient information must be obtained to identify individuals who will ultimately own or control the trading account, especially when it is evident that the securities to be acquired through the account will be beneficially owned by entities other than the client in whose name the account is being opened. The client's identity should be verified using reliable and independent documents, data, or information. In the case of a corporate entity, firm, or trust, identity and address proof, along with Demat and bank account details, must be collected
- 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	(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**
		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.
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.

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





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 Master Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022 and amendments thereto, for the purpose of identification of beneficial ownership of the client.

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

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

- (i) more than 10% of shares or capital or profits of the juridical person, where the juridical person is a company;
- (ii) more than 10% 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, then 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 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.

- In case of client being a Non-Profit Organisation, details of DARPAN ID registered on the DARPAN Portal of NITI Aayog is sought from Clients and maintain such registration records for a period of five years after the business relationship between a client and the registered intermediary has ended or the account has been closed, whichever is later.

#### **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.

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





- Ensure Internal Control and General Policy and Procedures Policy.
- If any PANs debarred by SEBI are found to match those in our client database, the corresponding accounts shall be immediately blocked from further trading. Funds associated with these clients are placed on hold pending further instructions from SEBI or the Exchanges. Additionally, their demat accounts are frozen in accordance with directives from CDSL and SEBI.
- Client's details shall be screened 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.

#### 6.b Customer Identification Procedure (CIP) and Verification

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

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

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





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
----------	---	--------------	--

- Sufficient information must be obtained about the client to identify the actual beneficiary of transactions or the person on whose behalf transactions are carried out, including collecting demat account proof.
- Client identification must be carried out using reliable sources and valid documentation. Adequate information should be gathered to satisfactorily establish the identity of each new client and understand the purpose and intended nature of the relationship.
- To verify the client's address, a welcome letter shall be dispatched via physical post to the address provided in the KYC form. In cases where the letter is returned or undelivered, the client will be required to submit the correct address along with supporting documents. Failure to do so within the stipulated timeframe will result in the client's trading account being frozen.
- A maker-checker system is implemented across all operations to enhance risk management and improve process efficiency.
- The Trackwizz PMLA Software is used to identify Politically Exposed Persons (PEPs) in the system. When a client is flagged as a PEP, an alert is generated and the client is marked accordingly and categorized as high-risk.
- Adequate due diligence checks are conducted for clients falling under special categories, facilitated through the Trackwizz PMLA Software.
- In cases where a prospective or existing client refuses to provide the requested information or is suspected of deliberately providing misleading details, the account will not be opened or maintained.
- The PAN card is verified against the original document and cross-checked with information available on the Income Tax Department's website.
- Records of all client identification documents and related information will be retained for a period of ten years after the account is 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
- b. High Networth Clients,

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





- c. Trust, Charities, 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.
- f. Companies offering foreign exchange offerings
- g. Clients in high risk countries while dealing with client 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 suspected. We shall identify such countries or geographic areas that do not or insufficiently apply the FATF recommendations published on its website from time to time shall also independently access and consider other publicly available information alongwith any information which they may have access to.
- h. Non face to face clients.
- i. 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.

#### **6.c Risk Management:**

##### **a. Risk based approach and Risk Assessment**

Risk Based Approach may be applied for mitigation and management of the identified risk and the same shall be approved by the management. Certain clients may be of a higher or lower risk category depending on the circumstances such as clients background, type of business relationship or transactions etc. Client due diligence measures shall be applied on a risk sensitive basis.

##### **b. 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 Clients' background, 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 Clients. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of Clients. In the lines of risk-based approach, we should obtain

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





type and amount of identification information and documents necessarily dependent on the risk category of a particular Client.

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. For CSC Clients, Trackwizz Application automatically categorized them under high risk category
2. For other Clients, Trackwizz Application generates alerts and based on the due diligence client is categorized under high, low and medium category.
3. 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.
4. The categorization done on the aforementioned criteria should be reviewed twice a year and same needs to be updated on a dynamic basis, if required.

#### **6.d. Suspicious Transaction Identification, Monitoring of Transactions 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

Trackwizz PMLA Software shall monitor 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 and 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:

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





- 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

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 which AML Reports/alerts as follows:

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

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





#### 14. CDSL Alerts

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. Also, Notification 9-2/2021/Intermediaries/FIU-IND - Red Flag Indicators (RFIs) for detecting suspicious transactions by the Depository Participants are issued by FIU-IND dated December 31, 2024

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	<b>TM 13/9</b> - 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	<b>TM 13A/9A</b> - 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

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





		more unrelated accounts, during the month.
3	<b>TM 13B/9B</b> - 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	<b>TM 13C/9C</b> - 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	<b>TM 13D/9D</b> - 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	<b>TM 13E/9E</b> - 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	<b>EI 13/9</b> - 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.

Trackwizz System generates alerts based on few set parameters/points and the same shall be monitored, analyzed and examined. Upon examining such alerts and trading pattern of the client, we shall send letter to the client via email and /or by 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. We have systems in place for reporting STR to FIU in a prescribed format as per the regulations and guidelines.

Records of all such data are to be 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 filed. We shall take all precautionary measures 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 to 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.

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





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

**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

Limits are set on 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://press.un.org/en/content/press-release> It is screened through Trackwizz Software and we shall ensure that accounts are not opened in the name of anyone whose name appears in said list.

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





The "ISSL (Daesh) & Al-Quida sanction list, which includes name of individuals and entities associated with the Al-Quida. The updated ISSL & Al-Quida sancation list is available at <http://www.un.org/securitycouncil/sancations/1267/press—releases>

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.

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 14<sup>th</sup> 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.

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





The same is taken care through our software Trackwizz under the tab STR-2.0 – Watch List data record details – watch List Source - UAPA

## 7. Record Management and 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.
- (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 18<sup>th</sup> August 2020, has mentioned that the DPs are required to preserve the records and documents for a minimum period of 8 years.

## 8. Reporting to Financial Intelligence Unit-India

In terms of the PML Rules, Registered Intermediaries are required to report information relating to cash and suspicious transactions to the Director.

Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND

Financial Intelligence Unit – India

6<sup>th</sup> Floor, Tower-2, Jeevan Bharati Building

Connuaght Place, New Delhi – 110001, INDIA

Telephone : 91-11-23314429, 23314459, 23319793

(Helpdesk) Email: [helpdesk@fiuindia.gov.in](mailto:helpdesk@fiuindia.gov.in)

(For FINnet and general queries): [ctrcell@fiuindia.gov.in](mailto:ctrcell@fiuindia.gov.in)

(For Reporting Entity /Principal Officer Registration related queries):

[complaints@fiuindia.gov.in](mailto:complaints@fiuindia.gov.in)

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

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14





We have Trackwizz system in place for reporting of STR to FIU in a prescribed format as per the regulations and guidelines under the tab STR.

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

#### **9. Employee Hiring and PMLA Awareness to Employees and Investors**

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

PMLA Policy are also kept on our internal Communication Link: Intranet for our employees. Internal training is also conducted for staff on PMLA on ongoing basis

Further, with a view to spread awareness amongst investors, we have placed the PMLA Policy on website for the clients.

#### **10. 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. The Policy has been approved by Board of Directors of Sushil Financial Services Private Limited during its meeting held on 3<sup>rd</sup> February 2025.

Dated : 3<sup>rd</sup> February 2025

Version : 2.0.14

