

ANTI MONEY

LAUNDERING

POLICY

OF

**NIRMAL BANG EQUITIES PVT. LTD.**

This Policy is applicable for all segments including Cash, Equity Derivatives and Currency Derivatives Segments of NBEPL. NBEPL is the institutional arm of Nirmal Bang Group.

#### 1. Introduction

The Prevention of Money Laundering Act, 2002 (PMLA) was brought into force with effect from 1<sup>st</sup> July 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on July 01, 2005. Subsequently, SEBI issued necessary guidelines vide circular no.ISD/CIR/RR/AML/1/06 dated January 18, 2006 and vide letter No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 to all securities market intermediaries as registered under Section 12 of the SEBI Act, 1992. These guidelines were issued in the context of the recommendations made by the Financial Action Task Force (FATF) on anti-money laundering standards. Compliance with these standards by all intermediaries and the country has become imperative for international financial relations. As per the provision of PMLA every Member shall have to

- i. Maintain a record of prescribed transactions,
- ii. Furnish information of prescribed transactions to the specified authority,

- iii. Verify and maintain records of identity of clients,
- iv. Preserve the records for a period of five years from the date of cessation of transactions with clients.

Such transactions includes

- 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 d-mat 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.

The Guidelines laid down the minimum requirements and it was emphasized that the intermediaries may, according to their requirements, specify additional disclosures to be made by clients to address concerns of Money Laundering and suspicious transactions undertaken by clients.

## 2. Objective

The objective of this policy framework is to:

- Create awareness and provide clarity on KYC standards and AML measures.
- Outline the obligations under PMLA.
- Provide a framework for systems and procedures.
- To prevent criminal elements from using our business for money laundering activities To understand the customers and their financial dealings better, which in turn would help the company to manage the risk prudently

- To put in place appropriate controls for detection and reporting suspicious transactions in accordance with applicable laws/ laid down procedures

## 2a. Scope:

These policies and procedures apply to all employees of NIRMAL BANG EQUITIES PVT.LTD and all its subsidiaries and are to be read in conjunction with the existing guidelines. The following procedures have been established to ensure that all employees know the identity of their customers and take appropriate steps to combat money laundering.

## 3. What is Money Laundering?

Money Laundering may be defined as cleansing of dirty money obtained from legitimate or illegitimate activities including drug trafficking, terrorism, organized crime, fraud and many other crimes with the objective of hiding its source and rendering it in legally usable form. It is any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources. The process of money laundering involves creating a web of financial transactions so as to hide the origin of and true nature of these funds.

This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

The first stage in the process is placement. The placement stage involves the physical movement of currency or other funds derived from illegal activities to a place or into a form that is less suspicious to law enforcement authorities and more convenient to the criminal. The proceeds are introduced into traditional or nontraditional financial institutions or into the retail economy. The second stage is layering. The layering stage involves the separation of proceeds from their illegal source by using multiple complex financial transactions (e.g., wire transfers, monetary instruments) to obscure the audit trail and hide the proceeds. The third stage in the money laundering process is integration. During the integration stage, illegal proceeds are converted into apparently legitimate business earnings through normal financial or commercial operations. Having identified these stages money laundering process, financial institutions are required to adopt procedures to guard against and report suspicious transactions that occur in any stage.

#### 4. Financial Intelligence Unit (FIU) – INDIA

The government of India set up Financial Intelligence Unit (FIU-INDIA) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister. FIU-INDIA has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordination and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

#### 5. Policy and procedures to Combat Money Laundering and Terrorist Financing of Nirmal Bang Equities Pvt. Ltd

NIRMAL BANG EQUITIES PVT. LTD (NBEPL) has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame work for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to FIU as per the guidelines of PMLA Rules, 2002. Further member shall regularly review the policies and procedures on PMLA and Terrorist Financing to ensure their effectiveness.

Date of Review: 30<sup>th</sup> July, 2018

Prepared by: Principal Officer – Rahul Arora

Approved by: Designated Director – Rahul Arora.

#### 6. Implementation of this Policy

Mr. Rahul Arora - CEO is the Principal Officer (who is also appointed as designated director as per SEBI Circular No. CIR/MIRSD /1/2014 dated 12.03.2014) responsible for compliance of the provisions of the PMLA and AML Guidelines act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions. He ensures that NBEPL discharges its obligations to report suspicious transactions to the concerned authorities.

#### 7. The main aspect of this policy is the Customer Due Diligence Process which means:

- a. Obtain sufficient information to identify persons who beneficially own or control securities accounts. Wherever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should be identified using client identification and verification procedures. The beneficial owner is the natural person or per-

sons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

- b. Verify the customer' s identity using reliable, independent source document, data or information.
- c. Identification of beneficial ownership and control.
- d. Verify the identity of the beneficial owner of the customer
- e. Conduct on-going due diligence and scrutiny of the account / client to ensure that the transaction conducted are consistent with the client' s background/financial status, its activities and risk profile.

8. The Customer due Diligence Process includes three specific parameters:

- a. Policy for Acceptance of Clients
- b. Client Identification Procedure
- c. Suspicious Transactions identification & reporting

#### 8.1 Customer Acceptance Policy

- a. Each client should be met in person :

We ensure that the existing guidelines regarding Customer/business acceptance is strictly followed. Existing /past relationship with the client should be verified and ensured that the client is not on the negative list/defaulters list.

Accept client whom we are able to meet personally either the client should visit the office / branch or concerned official may visit the client at his residence / office address to get the necessary documents filled and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client.

In case of accounts are opened in the name of NRI or FNs. (If the company cannot personally verify the NRI/FN Client), the company / KYC team shall ensure the photocopies of all the KYC documents / Proofs and PAN Card are attested by Indian Embassy or Consulate General in the country where the NRI or FN resides. The attesting authority affixes a “ Verified with Originals’ ” stamp on the said documents. The photocopies of the KYC documents and PAN Card should be sign by NRI/FN. If the NRI/FN

comes in person to open the account, the above attestation are required may be waived.

Detailed search to be carried out to find that the Client is not in defaulters / negative list of regulators. (Search should invariably be carried out on SEBI website [www.sebi.gov.in](http://www.sebi.gov.in), CIBIL website [www.cibil.com](http://www.cibil.com) and Ministry of Company Affairs sponsored website [www.watchoutinvestors.com](http://www.watchoutinvestors.com))

b. Accepts client on whom we are able to apply appropriate KYC Procedures:

Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the ' Know Your Client' guidelines are followed without any exception.

All supporting documents as specified by Securities and Exchange Board of India (SEBI) are obtained and verified.

c. Do not accept clients with identity matching persons known to have criminal background:

Check whether the client' s identity matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement / regulatory agency worldwide.

KYC team shall check following sites before admitting any person as client:

- ✚ [www.watchoutinvestor.com](http://www.watchoutinvestor.com)
- ✚ [www.sebi.gov.in](http://www.sebi.gov.in) : for prosecution database and vanishing companies' database.
- ✚ [www.cibil.com](http://www.cibil.com)
- ✚ [www.fatf-gafi.org](http://www.fatf-gafi.org) and
- ✚ <http://www.un.org/sc/committees/1267/consolist.shtml>
- ✚ <http://www.un.org/sc/committees/1988/list.shtml>

d. Be careful while accepting Clients of Special category:

We should be careful while accepting clients of special category like NRI' s, HNI, Trust, Charities, NGO,

Politically Exposed Person (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.) Or clients from high risk countries (like Libya, Pakistan, and Afghanistan etc) or clients belonging to countries where corruption / fraud level is high (like Nigeria, Burma etc).

Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category. Client of special category should be categorized as high risk client. Member shall closely examine the transaction in order to ensure they are consistent with Client business and risk profile. In case of High risk category due care and caution should be exercised at the acceptance stage itself. The profile of Clients has to be updated regularly.

- e. Do not accept client registration forms which are suspected to be fictitious:

Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.

- f. Do not compromise on submission of mandatory information/ documents:

Clients account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information / documents and we should have sufficient reason to reject the client towards this reluctance.

## 8.2 Customer Identification Procedure (FOR NEW CLIENTS)

Objective: To have a mechanism in place to establish identity of the client along with firm proof of address to prevent opening of any account which is fictitious / benami / anonymous in nature.

- a. Before opening the accounts, there should have to be a personal interaction with the client except in the case of NRIs where the power of attorney holder is the Authorised dealer Bank.

- b. Before opening the accounts in case of companies any one of the following viz main promoter/ Managing Director/ whole time director / key management person and in the case of partnership any one of the active partners should be met in person.
- c. Caution is to be exercised when identifying companies which appear to be ‘ shell companies’ or ‘ front companies’ . Shell/front companies are legal entities which have no business substance in their own right but through which financial transactions may be conducted.
- d. In case of clients acting through Power of Attorneys the Principal and agent should come in person for the first time, except where the client is a NRI and the designated branch of the Authorised Dealer Bank is holding the power of attorney. Photos of both to be obtained along with signatures on the photos. The KYC Form, Member Constituent Agreement and the Risk Disclosure Document must compulsorily be signed by the Client himself and not by the POA holder except in case of NRI clients if the POA holder is the designated branch of the authorized dealer.
- e. Original of un-expired Photo identity of individual/promoter/director to be verified by our official for identifying the client. Signature of the persons should be obtained on the photos. Photocopy of the proof should be taken by our official who should also certify thereon about having verified with the unexpired original.

#### 8.2.1 Documents which can be relied upon:

- a) PAN Card: PAN Card is mandatory and is most reliable document as only one card is issued to an individual and we can independently check its genuineness through IT Websites.
- b) Identity Proof: PAN Card itself can be served as proof of Identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter’ s identity card, Passport, Ration Card or any Government / PSU / Bank issued photo identity card.
- c) Address Proof: For Valid address proof we can rely on Voter’ s Identity Card, Passport, Bank Statement, Ration Card and latest Electricity / telephone bill in the name of the client.

#### 8.2.2 Documents to be obtained as part of customer identification procedure for new clients (un- expired Original should be verified):

- A. Proof of Identity (POI): - List of documents admissible as Proof of Identity:

- ✓ Unique Identification Number (UID) (Aadhaar)
- ✓ Passport
- ✓ Voter ID card
- ✓ Driving License.
- ✓ PAN card with photograph.
- ✓ Identity card/ document with applicant' s Photo, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/Debit cards issued by Banks.

B. Proof of Address (POA): - List of documents admissible as Proof of Address: (\*Documents having an expiry date should be valid on the date of submission.)

- ✓ Passport
- ✓ Voters Identity Card
- ✓ Ration Card
- ✓ Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance Copy.
- ✓ Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill - Not more than 3 months old.
- ✓ Bank Account Statement/Passbook -- Not more than 3 months old.
- ✓ Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
- ✓ Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-operative Bank/Multinational Foreign Banks / Gazetted Officer/Notary public/elected representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.
- ✓ Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.
- ✓ For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are

duly notarized and/or apostiled or consularised) that gives the registered address should be taken.

The proof of address in the name of the spouse may be accepted.

In case of Non-Individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:

Types of entity	Documentary requirements
Corporate	Copy of the balance sheets for the last 2 financial years (to be submitted every year).
	Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year).
	Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations.
	Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly
	Copies of the Memorandum and Articles of Association and certificate of incorporation
	Copy of the Board Resolution for investment in securities market
	Authorised signatories list with specimen signatures
Partnership firm	Copy of the balance sheets for the last 2 financial years (to be submitted every year)
	Certificate of registration (for registered partnership firms only)
	Copy of partnership deed
	Authorised signatories list with specimen signatures
	Photograph, POI, POA, PAN of Partners
Trust	Copy of the balance sheets for the last 2 financial years (to be submitted every year)
	Certificate of registration (for registered trust only)
	Copy of Trust deed
	List of trustees certified by managing trustees/CA
	Photograph, POI, POA, PAN of Trustees

HUF	PAN of HUF
	Deed of declaration of HUF/ List of coparceners
	Bank pass-book/bank statement in the name of HUF
	Photograph, POI, POA, PAN of Karta
Unincorporated association or a body of individuals	Proof of Existence/Constitution document
	Resolution of the managing body & Power of Attorney granted to transact business on its behalf
	Authorized signatories list with specimen signatures
Banks/Institutional Investors	Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years
	Authorized signatories list with specimen signatures
	Copy of SEBI registration certificate
	Authorized signatories list with specimen signatures
Army/ Government Bodies	Self-certification on letterhead.
	Authorized signatories list with specimen signatures
Registered Society	Copy of Registration Certificate under Societies Registration Act
	List of Managing Committee members
	Committee resolution for persons authorised to act as authorised signatories with specimen signatures
	True copy of Society Rules and Bye Laws certified by the Chairman/Secretary

C. List of people authorized to attest the documents:

- ✓ Notary Public, Gazetted Officer, Manager of a Scheduled Commercial/ Co-operative Bank or Multinational Foreign Banks (Name, Designation & Seal should be affixed on the copy).
- ✓ In case of NRIs, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy /Consulate General in the country where the client resides are permitted to attest the documents.

In case of an NRI account – Repatriable / non-repatriable, the following documents are required:

For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card and overseas address proof is mandatory.

In the case of joint account, the above procedure should be carried out for all the persons who hold the joint account.

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 are annexed as marked as Annexure -1. Same needs to be followed while opening account and subsequently for identifying beneficial owner by KYC department.

In the case of broking transactions, care should be taken to ensure that the orders are placed by the client and not by others on behalf of the client. If the client proposes to authorize another person to place orders on his behalf, a properly executed irrevocable power of attorney should be obtained and the person who will be placing orders shall also be identified using the above procedure. Ordinary Letters of authority shall not be accepted. Periodical statement of accounts should be sent to the client (and not power of attorney holder) at his address mentioning that if he does not respond within 30 days of date of receipt of the letter, the contents shall be taken as approved

Member may rely on a third party for the purpose of

1. a> Identification and verification of the identity of a client and  
b> Determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitor for, and have measures in place for compliance with CDD and record keeping requirement in line with the obligations under the PML Act.
2. Such reliance shall be subject to the conditions that are specified in rule 9 (2) of the PML Rules and shall be in accordance with the regulation and circulars / Guidelines issued by SEBI from time to time. Further, it is clarified that Member shall be ultimately responsible for CDD and undertaking enhanced due diligence measures as applicable. (SEBI Circular CIR/MISR/1/2014 dated 12.03.2014).

## Money Laundering risk assessments

Risk assessment on money laundering is dependent on kind of customers the Company deals with. Typically, risks are increased if the money launderer can hide behind corporate structures such as limited companies, offshore trusts, special purpose vehicles and nominee arrangements.

The Risk Assessment is required in order to assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients etc.

The risk assessment shall also take into account any country specific information that is circulated by the government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations Security Resolutions these can be accessed at

[http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml)

and <http://www.un.org/sc/committees/1988/list.shtml>.

## Risk classification

The level of Money Laundering (ML) risks that the Company is exposed to by an investor relationship depends on:

- ✚ Type of the customer and nature of business
- ✚ Type of product/service availed by the customer
- ✚ Country where the Customer is domiciled

Based on the above criteria, the customers may be classified into three Money laundering relationship depends on:

The guidelines define certain minimum standards of account documentation for all new customer relationships, to enable the Company to understand the nature of the customer' s business, carry evidence of key data regarding the customer and its principal owners/ signatories and understand the type and level of activity that is to be considered as normal in the customer' s account Customers may be classi-

fied in the following risk categories.

(i) High Risk

In addition to client defined in special category, clients who have defaulted in the past, have suspicious background, do not have any financial status and following clients are classified as high risk, provided their transaction value exceeds Rs. 1 million

- a) Nonresident clients
- b) High Net-worth clients \*
- c) Trust, Charities, NGOs and organizations receiving donations
- d) Unlisted Companies
- e) Companies having close family shareholding and beneficial ownership
- f) Politically exposed persons (PEP): Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country eg.: Senior politicians, Heads of States of Government, senior government, /judicial/military/officials.
- g) Clients who have defaulted in the past, have suspicious background and do not have any financial status.
- h) Companies offering foreign exchange
- i) Clients in high risk countries: (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, where there is unusual banking secrecy, countries active in narcotics production countries where corruption (as per transparency international corruption 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.
- j) Clients with dubious reputation as per public information available etc.
- k) Non face to face Clients.

Note:

(i) High Net worth clients:

High net worth clients could be classified if at the account opening stage or during the course of the relationship, it is realized that the client' s investments or the appetite for investment is high. The High

net worth clients are basically categorized as the clients having Net worth of Rs.1 crore or more.

It should be to determine whether existing / potential customer is PEP. Such procedures would include seeking additional information from clients. Further approval of senior management is required for establishment business relationships with PEP & to continue the business relationship with PEP.

All transaction of Clients identified as High Risk Category should be put to counter measures. These measures may include further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of transactions and applying enhanced due diligence.

(ii) Medium Risk

Client who is permitted to act on behalf of another person in the Manner of operating such accounts on the basis of POA.

Or Client defined in above category having transaction value below 1 crore and those Clients who are mostly intra-day Clients or speculative Clients.

Further based on business directive the clients who maintain running account continuously with the company may also be categorized as Medium risk clients as case to case basis.

(iii) Low Risk

All clients not meeting the above criterions are low risk clients. Further, Clients who make a payment on time and take delivery of shares, Senior Citizens, Salaried Employees and a major portion of client who indulge in delivery based trading and institutional clients whose trades are settled through custodian are categorized as Low Risk clients.

The low risk provisions should not apply when there are suspicions of Money Laundering / Financing Terrorism (ML/FT) or when other factors give rise to a belief that the customer does not in fact pose a low risk.

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

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

An assessment should be made of the financial worthiness of the client by obtaining appropriate declarations at KYC stage. This information should be subsequently used for monitoring whether the transactions of the clients are within the declared means and if the value of the transactions is increasing the client should be asked to disclose the increasing sources.

## 9. Record Keeping

9.1 Member shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

All documents & records which are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior shall be maintained.

If there is any suspected drug related or other laundered money or terrorist property, Member shall retain the following information for the accounts of clients in order to maintain a satisfactory audit trail to facilitate the investigating authorities:

- a. the beneficial owner of the account
- b. the volume of the funds flowing through the account; and
- c. for selected transactions: the origin of the funds; the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc. the identity of the person undertaking the transaction; the destination of the funds; the form of instruction and authority.

Ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they should retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars. In case of transactions where any investigations by any authority has been commenced and in the case of transactions

which have been the subject of suspicious transaction reporting all the records shall be maintained till the authority informs of closure of the case. More specifically, Member has put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- a) all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- b) all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh
- c) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- d) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

#### 10. Information to be maintained

Member has to maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

- i. the nature of the transactions;
- ii. the amount of the transaction and the currency in which it is denominated;
- iii. the date on which the transaction was conducted; and
- iv. the parties to the transaction

#### 11. Retention of Records

- 1) Maintenance of records pertaining to transactions of clients is preserved in a manner that allows easy and quick retrieval of data as and when requested by competent authority, for a period of five years.
- 2) Records evidencing the identity of clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a five years after the business relationship between a client and Member has ended or the account has been closed whichever

is later. In situations where the on-going investigations or transactions which have been subject of a suspicious transactions reporting, they shall be retained until it is confirmed that the case has been closed.

- 3) Member shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU- IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transactions between the client and the intermediary.

## 12. Monitoring of transactions

- 1) Member regular monitors the transactions to identify any deviation in transactions / activity for ensuring effectiveness of the AML procedures.
- 2) Member shall pay special attention to all unusually large transactions / patterns which appears to have no economic purpose.
- 3) The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIU-IND/other relevant Authorities, during audit, inspection or as and when required. These records are required to be maintained and preserved for a period of five years from the date of transaction between the client and intermediary as is required under the PMLA.

## 13. Suspicious Transactions

All are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

### 13.1 What is a Suspicious Transaction:

Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or appears to be made in circumstance of unusual or unjustified complexity; or appears to have no economic rationale or bonafide purpose.

A) Reasons for Suspicious :

Identity of client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Clients in high-risk jurisdiction
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities
- Receipt back of welcome kit undelivered at the address given by the client
- Suspicious background or links with criminals

Suspicious Background

- Suspicious background or links with criminals

Multiple Accounts

- Large number of accounts having a common parameters such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory
- Unexplained transfers between such multiple accounts.

Activity in Accounts

- [REDACTED]
- 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 is doubtful
- Appears to be case of insider trading

- Purchases made on own account transferred to a third party through an off market transactions through DP account
- Transactions reflect likely market manipulation
- 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

#### B) Policy on Identifying and Reporting suspicious transactions:

The Compliance/Principle Officer for any suspicious transactions will scrutinize transactions filtered out of the following filters in detail. As the Business dynamics are very varied and complex, defining transaction types for reporting will not be undertaken at this juncture (all CTRs, STRs and NTRs). Having said that, the Principal Officer will review all the transactions thrown out by the filters and decides on a case-to-

case basis to report to FIU with in stipulated time with complete details.

Further, no nil reporting shall be made if there is no Cash / Suspicious / Non – Profit organization transactions.

These filters will be reviewed regularly for any updations and modifications to make the system more robust and effective.

1. Payment for Payout to all the clients will be only through cheque. No cash payments to be entertained under any circumstances.
2. All third party cheques to the credit of clients account irrespective of the amount.
3. All payment made either by way of Demand Draft / Cheques / Money Transfer/Funds Transfer in foreign currencies irrespective of the amount. In case of DD it should be accompanied by the letter of bank in case of some unavoidable situation.
4. Deliveries/Payment made through us for more than 250% of the last 3 months average.
5. To discourage the manipulation relating to the financial strength, we have started the provision of updating the financial statements of the clients annually and this is the ongoing procedure.

#### 13.2 What to Report:

- The nature of the transactions
- The amount of the transaction and the currency in which it was denominated
- The date on which the transaction was conducted
- The parties to the transaction.
- The reason of suspicion.

#### Rights & Power of Principal officer-

1. Overall monitoring & implementation of the company' s KYC/AML/CFT policy and to make changes/amendments in the PMLA/CFT policy of NBEPL time to time along with requirement of Record Keeping, retention, monitoring and reporting.
2. To ask details related to ultimate beneficiary ownership/person controls securities account/POA Holder /Nominee in case it seems to be suspicious.
3. To ask specific nature of its business organizational structure, income details and its way and about the nature of transaction etc of its clients and its business related entities.
4. To verify the customer identity and to refuse in opening any trading/DP account if client acceptance policy has not been met or Client has not fulfilled his due diligence measures, including requirements for proper identification and in-person verification or in case where client account has been opened in Benami name. The same refusal can be applied also based on 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.
5. Conduct of necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide. Special checks and permission for clients of special category (CSC) and transaction related to foreign exchange transaction related entities.

Verification and denial in taking the person as a client if the person is in 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) from the website <http://www.un.org/sc/committees/1267/consolist.shtml>.

6. To 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 NBEPL' s knowledge of the client, its business and risk profile and the client' s source of funds.
7. Stopping of the business of Intermediary in case of manipulation at its end or in providing any support to client who is engaged in any kind of manipulative trading. To approve or disapprove the mode of payment opted by the client especially in case of Cash, Demand draft, Pay order or any other mode which seems to be suspicious or crossing any regulatory limits defined.
8. Immediately stopping of Pay-in or Pay-out of funds/Securities or both if by any means the suspicious Trading pattern /wrong account information or other details has been observed.
9. Monitoring, investigation and taking action against all suspicious transactions(transactions integrally connected' , ' transactions remotely connected or related) 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 NBEPL .
10. In handling and reporting of transactions{Cash Transaction Reports (CTRs), Suspicious Transaction Reports (STRs), Non – Profit Organisation Transaction Report (NTRs) and Counterfeit Currency Reports (CCRs)} and sharing of information/details, as required under the law in an independent manner and Co-operation with the relevant law enforcement authorities, including the timely disclosure of information. In addition to this the maintenance of utmost confidentiality in filing of CTR and STR and NTR to FIU-IND.
11. Dealing with regulators like SEBI, FIU-INDIA or any other law enforcement agency including ministries which are involved in the fight against money laundering and combating financing of terrorism.

12. In defining the role of Internal audit/Compliance function to ensure compliance with policies, procedures, and controls relating to prevention of money laundering and terrorist financing, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff of their responsibilities in this regard.
  
13. In conduct of any Programme/Seminar/Presentation etc. for the training of the Staff, Registered Intermediary with NBEPL and any other person in connection to the NBEPL to increase awareness and vigilance to guard against money laundering and terrorist financing.
  
- 13.3 There shall not be any restrictions on operations in the accounts where an STR has been made. Member and their directors, officers and employees (permanent and temporary) shall be prohibited from disclosing (“ tipping off” ) the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level.

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

## PO L I C Y W I T H R E S P E C T T O E M P L O Y E E S ’ H I R I N G / T R A I N I N G & I N V E S T O R E D U C A T I O N

### Policy on Hiring of key Employees:

Staffs who deal directly with the public are the first point of contact with potential money launderers. Their efforts are therefore vital to the reporting system for such transactions. Staff should keep abreast of the practices to identify suspicious transactions and on the procedure to be adopted when a transaction is deemed to be suspicious. In short, employees must familiarize themselves with their customers’ normal trading activities and usual market practices in order to recognize anomalous behavior. Suspicions concerning the source of assets or the nature of a transaction may not be ignored. It is the active

responsibility of every person at the company to seek to ensure that the firm's facilities are not being misused.

At the time of screening key employees in the Company, the HR personnel should make sure that the key employees must be made aware about the AML/CFT requirement at the time of joining the organization and on such other time as they deem fit to ensure that key employees\* shall perform & discharge their duties efficiently and effectively to combat risk of money laundering which is considered to be a prominent area/aspect in an industry in which the company operates.

\*Key employees are employees as per the list maintained by HR personnel from time to time.

#### Policy on Employees' training

The company should have an ongoing employee training programme in terms of following:

- Circulating information from time to time to the concerned employees pursuant to the PMLA requirement wherein all the employees are made aware about requirement of PMLA viz. procedures to be followed while dealing with potential clients, ongoing due diligence in terms of risk profile, clients' transactions etc.
- Conducting presentations from time to time to create awareness amongst the concerned employees.

#### Policy on Investor Education:

With a view to discharge our responsibility in the view of PMLA requirement, the Company should endeavor to do the following:

- Provide literature to potential clients which make them aware about the AML/CFT requirement.
- Disseminating / spreading the information amongst the investors/clients via different modes.

Surveillance in sync with AML-



We have a surveillance department that works in tandem with compliance and RMS and normally takes care of all the activities of clients, branches, Remisier, sub-brokers and other concerned persons of the organization who are in access of any kind of information or are in any way related to the firm. We constantly monitor the activity that destroys the fair and orderly movement of the market and/or involve in suspicious transaction.

Annexure-1

Annexure forming part of KYC policy & Prevention of Money Laundering Policy

Sr. No	Nature of Client	BO Identification Criteria
1	person other than an individual or trust, viz., company, partnership or unincorporated association/body of Individual	<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 o senior managing official</p>
2	For client which is a trust	<p>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</p> <p>the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership</p>
3	Exemption in case of listed companies	<p>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</p>

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

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

- a. More than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- b. More than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- c. 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.

Designated Principal Officer

In case any further information / Clarification are required in this regard, the principal officer may be contacted.

Rahul Arora

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