

PMLA (ANTI MONEY LAUNDERING) POLICY

The ARYAN SHARE & STOCK BROKERS LTD (ASSBL) has adopted written procedures to implement the anti money laundering provisions as envisaged under the Anti Money Laundering Act, 2002.

BACKGROUND

The Prevention of Money Laundering Act, 2002, was notified on July 1, 2005. Subsequent to this, the Securities and Exchange Board of India (SEBI) has on 18th January 2006 (Circular Ref. No. ISD/CIR/RR/AML/1/06) required market intermediaries to adopt a policy framework with respect to anti money laundering measures to be followed by the intermediaries. SEBI vide a master Circular Ref. No. ISD/AML/CIR-1/2008 dated 19th December 2008 directed all registered intermediaries to ensure compliance with the requirements of the Anti Money Laundering (AML) Standards/Combating Financing of Terrorism (CFT)/Obligations of the Security Market Intermediaries under Prevention of Money Laundering Act 2002 and rules framed there-under. ASSBL is inter alia, a stock broker, a depository participant (DP), a registered intermediary with SEBI and needs to adhere to the same.

ASSBL has formulated a policy to comply with the SEBI circular (A copy of which is enclosed as Annexure 1). As per the existing policy, ASSBL has to report to FIU-IND, all market and Off market Transactions, inter depository Transactions and Pledge Invocation cases where total value of a single transaction and or series of transaction in single scrip in a month is greater than Rs. 10 lacs. This policy was framed in Dec, 2006. In the present market scenario, it is not practically possible to report every transaction of value Rs. 10 lacs or above. Hence it is felt that we will revise our Anti Money Laundering Policy. Since the business of the ASSBL has increased, it is necessary to review the same.

Every transaction in the capital market has two parts i.e. Securities and Funds. ASSBL deals with the clients only through sub-brokers and franchises. Therefore, it is difficult for ASSBL to know about the actual Sources of funds provided to ASSBL, and the Application of the funds issued by ASSBL, in the funds payout on selling of the securities. Monitoring the exact income and net-worth of clients and comparing their transaction value with their income and net-worth are also difficult. Therefore a policy of reporting suspicious Transactions is required to be framed and implemented.

OBJECTIVES

► Ensure that ASSBL shall meet legal and regulatory obligations, and that its staff is trained properly to and here and comply with prevalent laid down requirements;

- ▶ Establish the process of internal control over prevention and detection of accounts and activities falling under the category of suspicious nature by identifying monitoring and reporting to law enforcement authorities;
- ▶ Update all subsequent notifications issued by various regulatory authority/exchanges having relevance to the business of intermediary carried on by ASSBL.
- ▶ Ensure that the policy/procedures framed are implemented / applied effectively.

DEFINATION OF MONEY LAUNDERING

Section 3 of PMLA has defined the “offence of money laundering” as under:

“Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it is untainted properly shall be guilty of offence of money laundering”.

Such procedures should include inter alia, the following three specific parameters which are related to the overall ‘Client Due Diligence Process’:

- a. Policy for acceptance of clients
- b. Procedure for identifying the clients
- c. Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)
- d. Type of Information required to be furnished.
- e. Time Limit prescribed by the „FIU-IND“
- f. Designated officer for reporting of Suspicious Transactions.
- g. Employee Training

POLICY FOR ACCEPTENCE OF CLIENTS

Follow the customer acceptance policies and procedures that aim to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing. By establishing such policies and procedures, they will be in a better position to apply customer due diligence on a risk sensitive basis depending on the type of customer business relationship or transaction. In a nutshell, the following safeguards are to be followed while accepting the clients:

- ▶ No account is opened in a fictitious / benami name or on an anonymous basis.
- ▶ Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly 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 should enable classification of clients into low, medium and high risk. Clients of

special category may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of KYC profile.

► Documentation requirement and other information to be collected in respect of different classes of clients depending on perceived risk and having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.

► Ensure that an account is not opened where the intermediary is unable to apply appropriate clients due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to us is suspected to be non genuine, perceived non cooperation of the client in providing full and complete information. We should not continue to do business with such a person and file a suspicious activity report. It should also evaluate whether there is suspicious trading in determining in whether to freeze or close the account. We should be cautious to ensure that it does not return securities of money that may be from suspicious trades.

► The circumstances under which the client is permitted to act on behalf of another person / entity should be clearly laid down. It should be specified in what manner the account should be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity / value and other appropriate details. Further the rights and responsibilities of both the persons (i.e the agent- client registered with us, as well as the person on whose behalf the agent is acting should be clearly laid down). Adequate verification of a persons authority to act on behalf the customer should also be carried out.

► 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. For verification of that please check the following website.

Site for checking : <http://www.un.org/sc/committees/1267/consolist.shtml>

► Clients of Special category

We should be careful while accepting clients Of special category like Norris, His, 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.) Or clients from high-risk countries (like Libya, Pakistan, 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.

PROCEDURE FOR CLIENTS IDENTIFICATION

The Know your Client (KYC) policy should clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.

- ▶ The client should be identified by using reliable sources including documents / information which is provided by the clients at the time of account opening. We should obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- ▶ The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by us in compliance with the Guidelines. Each original documents should be seen prior to acceptance of a copy.
- ▶ Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority of the company.
- ▶ SEBI has prescribed the minimum requirements relating to KYC for certain class of the registered intermediaries from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, should frame their own internal guidelines based on their experience in dealing with their clients and legal requirements as per the established practices. Further, the intermediary should also maintain continuous familiarity and follow-up where it notices inconsistencies in the information provided. The underlying principle should be to follow the principles enshrined in the PML Act, 2002 as well as the SEBI Act, 1992 so that the intermediary is aware of the clients on whose behalf it is dealing

RECORD KEEPING

- ▶ To comply with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PML Act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.
- ▶ Maintaining such records as 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.
- ▶ Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, registered intermediaries should retain the following information for the accounts of their customers in order to maintain a satisfactory audit trail:

(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. cash, cheques, etc.;
- the identity of the person undertaking the transaction;
- the destination of the funds;
- the form of instruction and authority.

► Ensure that all customers and transaction records and information are available on a timely basis to the competent investigating authorities. Where appropriate, they should consider retaining certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed that required under the SEBI Act, Rules and Regulations framed there-under PMLA 2002, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

► Maintain updated list of individuals / entities which are subject to various sanctions / measures pursuant to United Nations Security Council Resolutions (UNSCR), available from the URL <http://www.un.org/sc/committees/1267/consolist.shtml>. (referred to as designated individual / entities) in electronic form. Ensure before opening any new account that the name of the proposed customer does not appear in the list of designated individuals / entities.

► Continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. In the event of matching any particulars of designated individuals / entities, inform the full particulars of the funds, financial assets or economic resources or related services held in the form of securities, within 24 hours to the Joint Secretary (IS.I) Ministry of Home Affairs, at a given fax / phone number and email id. It should also be sent to the email id and address of SEBI as mentioned. In the event of matching the details beyond doubt, prevent the persons from conducting any further financial transactions under intimation to the Joint Secretary (IS.I) Ministry of Home Affairs, at a given fax/phone number and email id. It should also be sent to the email id and address of SEBI as mentioned. File STR to FIU,IND, covering all transactions

RETENTION OF RECORDS

► 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 (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the same period.

▶ In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

MONITORING OF TRANSCATION

▶ Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. This is possible only if we are understanding of the normal activity of the client so that they can identify the deviant transactions / activities.

▶ Pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. Please specify internal threshold limits for each class of client accounts and pay special attention to the transaction which exceeds these limits.

▶ Ensure a record of transaction is preserved and maintained in terms of section 12 of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate law authority. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.

▶ Further the compliance officer should randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.

SUSPICIOUS TRANSCATION MONITORING & REPORTING

▶ Ensure to take appropriate steps to enable suspicious transactions to be recognised and have appropriate procedures for reporting suspicious transactions.

▶ Any suspicion transaction should be immediately notified to the Money Laundering Control Officer or any other designated officer of the company. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However no tip off about STR to the clients and no restrictions dealing with particular client until any order received from regulatory authority.

▶ ASSBLshall report information relating to suspicious transactions to the Director. Financial Intelligence Unit-India (FIU-IND) at the following address; or to the address which may prescribe hereafter:

Director, FIU- IND
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat

Chanakyapuri,
New Delhi – 110021
Website: <http://fiuindia.gov.in>

TYPE OF INFORMATION REQUIRED TO BE FURNISHED

The company is required to furnish information about-

- ▶ all cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- ▶ all series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month;
- ▶ 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

TIME LIMIT PRESCRIBED FOR INFORMATION TO FIU - IND

- ▶ Rule 8 of the rules notified by notification No.9/2005 (as amended by Notification No.15/2005 and 4/2007) prescribes time limit for furnishing information to the Director, FIU- IND
- ▶ The time limit for furnishing information about cash transactions and integrally connected cash transactions to Director, FIU-IND is 15th day of the succeeding month.
- ▶ 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 should be furnished to the Director, FIU-IND not later than seven working days from the date of occurrence of such transactions.
- ▶ All suspicious transactions have to be furnished to the Director, FIU-IND not later than seven working days on being satisfied that the transactions is suspicious.

DESIGNATION OF AN OFFICER FOR REPORTING OF STR

ASSBL shall appoint the principal office who would act as a central reference point in Facilitation onward reporting of suspicious transaction and for playing an active role in identification and assessment of potentially suspicious transaction. Names, designation and addresses (including e-mail addresses) of „Principal Officer“ including any changes therein shall also be intimated to the office of the Director-Financial Intelligence Unit (FIU)

EMPLOYEES HIRING AND TRAINING

Hiring of Employees

ASSBL shall have adequate screening procedures in place to ensure high standard when hiring employees. It shall identify the key positions within the ASSBL structure having regard to the risk of money laundering and terrorist financing.

Employees Training

ASSBL shall have an ongoing employee-training programmed so that the their staff are adequately trained in Anti Money Laundering and Combating Financing of Terrorism procedure

INVESTORS EDUCATION :

ASSBL shall prepare this specific literature so that the clients/sub-brokers/Authorised Person can be educated on the objectives of the Anti Money Laundering (AML) / Combating Financing of Terrorism (CFT) programmed.

RELIANCE ON THIRD PARTY

As per ASSBL policy we are not relying the third party and all accounts sourced by our staffs.

REVIEW OF THE POLICY

The policy shall be reviewed from time to time as and when required by the Management and also implement the change after any change in the Anti Money Laundering Act 2002 or change in any other act, bye-laws, rules, regulations of SEBI, CBI or in any statutory and regulatory government department related to or affect to this.

Revision

Date	Comment	Authorised
08 th January 2015	Policy created	R.Giridharan
27 th April 2016	Policy revised	R.Giridharan

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