



Prevention of Money Laundering Act, 2002

JHP Securities Private Limited.

Member-

BSE

NSE

MSEI

CDSL

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

Policy framed based on Prevention of Money Laundering Act, 2002, the Rules framed there under and Circulars issued by Regulatory Authorities.

A. Designated Director

As per the requirement of Prevention of Money Laundering Act, 2002, a Designated Director will be appointed and informed to FIU. Designated Director will ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules.

B. Principal Officer

As per the requirement of Prevention of Money Laundering Act, 2002, a Principal Officer will be appointed and informed to FIU. Principal Officer will be responsible for reporting any transactions covered under Prevention of Money Laundering Act, 2002.

C. Risk Assessment

Risk Profiling Of the Client

We should accept the client based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing.

By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk client we have to apply higher degree of due diligence. In order to achieve this, all clients should be classified in the following category;

Low Risk

Medium Risk

High Risk

It is extremely important to understand that the financial risk is different from the Money laundering risk and this will be covered in the training sessions and other interactions that happen with staff in reference to Anti Money Laundering of CFT.

Review of Risk constantly after the On Boarding: The ongoing risk review can trigger the client's risk to be upgraded based on the following parameters or events.

- a. Change of the client relationship from Indian to NRI. The risk would be upgraded to "High"
- b. If it is later realized that the client is a High Net Worth client. The risk would be upgraded to "High"
- c. If in future it is known that a client is PEP then apart from seeking permission from the management to continue the relationship, the client should be immediately upgraded to High risk
- d. If it is later realized or the existing client is registered as a foreign exchange dealer the client will have to be upgraded to High risk.
- e. If a client is residing in a country which has been recently declared by the FATF as a high risk jurisdiction or an existing client moves base into a high risk jurisdiction then naturally in both the cases client will be immediately upgraded to "High" risk.
- f. If a client registers the authorization or gives a power of attorney to operate his account to somebody else, in that case the account is to be upgraded to "High" risk
- g. If it is realized by the management that the existing client's reputation is tainted because of a SEBI debarred or any such announcement then the client will be upgraded to "High"

- h. On intimation by any employee of the organization that can alert the principal officer based on any news item or an event in the public domain which can lead the risk to be made “High”
- i. Customers that are likely to pose a higher than average risk too shall be categorized as high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc. The company shall apply Customer Due Diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear.

Client Due Diligence:

The following specific parameters which are related to the

1. Customer acceptance policy
2. Client Identification
3. Generation of suspicious transaction Monitoring, reviewing and reporting if required.

D. Customer Due Diligence

1. New customer acceptance procedures adopted include following processes:

Checking records of Clients in debarred list.

Before opening the client account it is also verified that the client is not a part of the Debarred list. This will help us in not opening any account erroneously of a debarred client or entity. The list used are:

UNSC 2270

UNSC

UNSC 1988

SEBI Debarred List

Domestic PEP

UNSC 2140

ARBITRATION NSE

If a client is found matching with UNSC, we would not open the account and immediately inform the Principal Officer/Management for further action which will result in STR filing

If a client is found matching with SEBI Debarred we would not open the account unless approved by a senior person on a case to case basis.

The screening will be done for UBO and associated entities also like Directors in a private ltd or partners in a trust or trustees in a trust.

Summarizing the steps of Opening the account are as below:

Checking for KYC and mandatory information in the form.

In person verification

Verification with original documents

Checking of client with screening database consisting of sources mentioned above.

Verification of Pan with Income Tax Database.

CSC marking.

To verify status of client in KRA Agencies website and compliance at the time of account opening as per SEBI

{KYC (Know Your Client) registration agency} Regulations, 2011,

Dispatch Photocopies of KYC and Welcome Letter on the address mentioned in the account opening form.

To obtain necessary documents from non-individual clients like shareholding pattern, financial statements for past 2 years, partnership/trust deeds, etc.

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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate registration (for registered partnership firms only). • Copy of partnership deed.

	<ul style="list-style-type: none"> • Authorised signatories list with specimen signatures. • Photograph, POI, POA, PAN of Partners.
Trust	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years. • Authorized signatories list with specimen signatures.
Foreign Institutional Investors (FII)	<ul style="list-style-type: none"> • Copy of SEBI registration certificate.

	<ul style="list-style-type: none"> Authorized signatories list with specimen signatures.
Army/ Government Bodies	<ul style="list-style-type: none"> Self-certification on letterhead. Authorized signatories list with specimen signatures.
Registered Society	<ul style="list-style-type: none"> Copy of Registration Certificate under Societies Registration Act. List of Managing Committee members. Committee resolution for persons authorized to act as authorized signatories with specimen signatures. True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.

2. For existing clients on going due diligence processes include:

- i. Review of KYC details of all the existing active clients in context to the PMLA 2002 requirements.
- ii. To verify status of client in KRA Agencies website and compliance at the time of account opening as per SEBI {KYC (Know Your Client) registration agency} Regulations, 2011,
- iii. Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc for closer monitoring of high risk categories.
- iv. Obtaining of annual financial statements from all clients, particularly those in high risk categories at reasonable intervals.
- v. In case of non individuals client additional information about the directors, partners, dominant promoters, major shareholders is obtained.
- vi. Verify each account with SEBI debarred entity lists and UNSCR lists on daily basis.

- vii. To update/modify any change in existing client/beneficial owner details/records and obtain required information/documents as per KYC/CDD process.
- viii. **Ongoing due diligence and scrutiny** – We shall conduct periodic due diligence and scrutiny of client's transaction and accounts to ensure that transactions are being conducted in knowledge, to find out the risk profile, source of funds, etc. At regular interval, ongoing due diligence and scrutiny needs to be conducted i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the Organization's knowledge of the client, its business and risk profile, taking into account, where necessary, the customer's source of funds.
- For all clients applying for trading rights in the futures and options segments, further details as regards their proof of income and source of funds would be required.

E. Risk based approach:

Following Risk based KYC procedures are adopted for all clients:

- i. Payout/pay-in of funds and securities transferred to /from a third party
- ii. Off market transactions especially in illiquid stock and in F & O, at unrealistic prices
- iii. Trading pattern of clients is observed
- iv. Client demographics are considered

F. Clients of special category (CSC)

- i. Non resident clients,
- ii. High net-worth clients,
- iii. Trust, Charities, NGOs and organizations receiving donations,
- iv. Companies having close family shareholdings or beneficial ownership,
- v. Politically exposed persons (PEP). Politically exposed persons are individuals who are

or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.

- vi. Companies offering foreign exchange offerings,
- vii. 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 Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent,
- viii. Non face to face clients,
- ix. Clients with dubious reputation as per public information available etc.

NRI: All NRI accounts will be marked.

High Networth Clients: High networth clients could be classified if at the account opening stage or during the course of the relationship, it is realized that the clients investments or the appetite for investment is high.

Trust, Charity and NGOs: Both public as well private, registered as well non registered trust will have to be classified in the special category. Any Charitable or Non government organization or a no Profit Organization will be also classified herein.

Close family shareholdings or Beneficial Ownership: In case of close family shareholdings the objective is to understand whether the beneficiaries of two or more accounts, which may also be opened at different times are same, then both need to be marked under this special category.

Politically Exposed Persons: In case PEPs care is taken will opening the account as the same is opened only after opening account with the consent of the senior management and all the required documents are collected.

Company offering foreign Exchanges: At the account opening stage if it is to our knowledge that the individual or the entity is registered foreign exchange dealer, then the same may be categorized.

Client in High Risk Country: We avoid opening any account received from client who was residing in a high risk jurisdiction and may have investment proceeds which may have also originated from these countries.

Non Face to Face Client: In person verification is done for all clients. But there may be clients who may register a power for somebody else in their account and in that scenario as the account would be controlled not by the account holder but by some other individual we would treat as a non face to face account and the same would be categorized accordingly.

Client with dubious Public Reputation: If a clients' reputation during the opening of the account or post opening the account is known to be not good, then the same is marked in this special category.

G. Record Keeping:

The Principal Officer will be responsible to ensure that AML records are maintained properly. The company shall also maintain such records, which can permit reconstruction of individual transactions so as to provide evidence of prosecution of criminal behavior.

The company shall maintain and preserve the records for the minimum period prescribed under AML Act and SEBI Act. Records relating to ongoing investigations to be retained until it is confirmed that the case has been closed.

H. Monitoring & Reporting of Suspicious Transactions:

Suspicious transactions generated from PMLA software & Exchange records are scrutinized and inquired into from concerned entities/clients and based on input decide to report to FIU-IND. After verification of each alert by inquiring with the client/obtaining necessary information alert is closed or based on input alert be reported to FIU-IND.

Ongoing monitoring of accounts which includes

- i. Identification and detection of apparently abnormal transactions.
- ii. Generation of necessary reports/alerts based on clients' profile, nature of business, trading pattern of clients for identifying and detecting such transactions. These reports/alerts are analyzed to establish suspicion or otherwise for the purpose of reporting such transactions.

➤ Alerts generated by AML system (Eq/Der)

Parameters available on the Dashboard / Reports: Following are the parameters / nature of alerts / reports / scenarios available

- Group Parameter (Client Scrip Concentration).
- Group Parameter (Client Exchange Volume)
- Group parameter (Client Purchase to Income)
- Group parameter (Synchronized Trading)
- Group parameter (Client Net Sell)
- Group parameter (Money Flow In)
- Group parameter (Money Flow Out)

➤ **Exchange given Broking alerts**

Sr. no.	Transactional Alerts	Segment
1	Significantly increase in client activity	Cash
2	Sudden trading activity in dormant account Cash	Cash
3	Clients/Group of Client(s), deal in common scrips	Cash
4	Client(s)/Group of Client(s) is concentrated in a few illiquid scrips	Cash
5	Client(s)/Group of Client(s) dealing in scrip in minimum lot size	Cash
6	Client / Group of Client(s) Concentration in a scrip	Cash
7	Circular Trading	Cash
8	Pump and Dump	Cash
9	Wash Sales	Cash & Derivatives
10	Reversal of Trades	Cash & Derivatives
11	Front Running	Cash
12	Concentrated position in the Open Interest / High Turnover	Derivatives
13	Order book spoofing i.e. large orders away from market	Cash

➤ **DP Alerts**

- 1) fiu1 :- Details of debit and credit transactions due to Off-market or Inter-depository transfers.
- 2) fiu2 :- Details of debit and credit transactions due to demat, rematt and pledge
- 3) fiu3 :- Details of debit and credit
- 4) fiu4 :- Details of Off-market transaction (within CDSL or Inter-depository)
- 5) fiu5 :- Any debit transaction in a dormant account
- 6) Off_ Market_ Multiple_ Counterparty :- FIU transactions involving multiple counterparties

- 7) Off_Market_Multiple_Clients :- FIU transactions involving one counterparty with multiple clients

Action for SEBI debarred entities

If any person's/ entity name appears on SEBI debarred list and that person is our client, we immediately stop the trading of those clients.

Identification Of Beneficial Owner

Check would be done for actual beneficial ownership and control of the particular account. We need to obtain the details with respect to Shareholders / promoters (Holding more than 25 % or more of share capital of Corporate entities) , Partners (Holding more than 15 % or more of capital or profits of partnership firm.), Unincorporated association or body of individuals(Holding more than 15 % or more of property or capital or profits of juridical person) from the non individual clients and wherever possible it has to be verified independently. Where the client is a trust, identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

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.

Where no natural person is identified the identity of the relevant natural person who holds the position of senior managing official

Verify the sources of funds for funding the transaction. We shall also take care at the time of settlement regarding nature of transaction, movement/source of transaction, etc. Periodically to ask for clients financial details to determine the genuineness of transaction. Special care would be taken in case of non individual accounts such as corporate,

partnership firms etc, where the ownership structure is opaque. In all such cases the accounts would be activated only post approval from the compliance department.

For this purpose, “**beneficial owner**” is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

Others

In case of existing clients, if any names appear in the UNSCR lists as and when stock exchange issue any circular/ notification in this regard, we immediately deactivate that client.

In case we upload any STR to FIU IND, or any other confidential information of any client, we keep secrecy and it is known only by compliance officer and principal officer.

I. Reporting of Suspicious Transactions:

- i. All suspicious transactions will be reported to FIU. Member and its employees shall keep the fact of furnishing information in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 strictly confidential.
- ii. 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 should 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 preserved for **Five years** as is required under PMLA 2002.
- iii. The Principal Officer and related staff members shall have timely access to customer identification data and other CDD information, transaction records and other

relevant information. The Principal Officer shall have access to and be able to report to senior management above his/her next reporting level or the Board of Directors.

- iv. Further, all information pertaining to STR will be kept confidential.

Employee`s Hiring/Training

Hiring of Employees:

All employee accounts will be subjected to the same AML procedures as the customer accounts, under the supervision of the Principal Officer

Adequate screening procedures to be in place to ensure high standards when hiring employees, having regard to the risk of money laundering and terrorist financing and the size of the business, we ensure that all the employees taking up such key positions are suitable and competent to perform their duties.

Employees' Training:

An ongoing employee training program should be conducted by our Consultant or by the software vendor. Participation of all the Key Employees in the Seminars conducted by various Regulatory bodies from time to time be made mandatory so that the staff are adequately trained in AML and CFT procedures.

All the Circulars issued by various Regulatory bodies including that of PMLA, are circulated to all the staff Members and the same are also being discussed in length, in the Training Program'. Training program shall have special emphasis on back office staff, compliance staff, risk management staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

Others

This Policy is to be made available to the persons engaged in the Broking/depository operations for compliance purpose.

Clients are to be categorized into low, medium and high risk based on perceived risk depending upon client's background, type of business activity, transaction etc.

Mr. Vishal Patel has been appointed as designated director as per PMLA requirement.

This PMLA policy will be reviewed every year on the basis of circulars issued by statutory authority from time to time and this updated policy should be approved in the meeting of Board of Directors

All the clauses of this PMLA Policy should be reviewed periodically. Review of policy is to be done by any official other than the official who originally drafted the policy