

R.B.JAJU Securities (I) Private Ltd

Member ID: 3119

R.B.JAJU

[POLICY ON ANTI MONEY LAUNDERING]

Policy of PMLA to prohibit and actively prevent the money laundering and any activity that facilitates money laundering. To discourage and identify any Money Laundering or Terrorist financing Activities this policy provides a detailed Account of the procedures

PMLA POLICY

R.B.Jaju Securities (I) Pvt Ltd. had designed this policy of PMLA to prohibit and actively prevent the money laundering and any activity that facilitates money laundering, or the funding of terrorist or criminal activities or flow of illegal money or hiding money to avoid paying taxes. To discourage and identify any Money Laundering or Terrorist financing Activities this policy provides a detailed Account of the procedures and obligations to be followed to ensure compliance with issues related to **KNOW YOUR CLIENT (KYC) Norms, ANTI MONEY LAUNDERING (AML), CLIENT DUE DILIGENCE (CDD) and COMBATING FINANCING OF TERRORISM (CFT)**. Policy specifies the need for Additional disclosures to be made by the clients to address concerns of Money Laundering and Suspicious transactions undertaken by clients and reporting to **FINANCE INTELLIGENT UNIT (FIU-IND)**. These policies are applicable to both Branch and Head office Operations and are reviewed from time to time.

INTRODUCTION:

Background:

Pursuant to the recommendation made by the Financial Action Task Force on Anti Money Laundering standards, SEBI had issue the guidelines on Anti Money Laundering standards vide their notification no. ISD/CIR/RR/AML/1/6 dated 18th January 2006 and vide letter no. ISD/CIR/RR/AML/2/6 dated 20th March 2006, vide Circular No. CIR/MIRSD/1/2014 dated 12th March 2014 had issue the obligation of Intermediaries registered under section 12 of the Securities and Exchange Board of India Act, 1992. As per the SEBI guidelines, all Intermediaries have been advice to ensure that proper policy frameworks are put in place as per the guidelines on Anti Money Laundering standards notify by SEBI.

What is Anti Money Laundering?

Money Laundering can be defined as engaging in financial transaction that involve income derived from criminal activities, transaction designated to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/funds.

Financial Intelligent Unit (FIU)

The government of India set up Financial Intelligent Unit -India (FIU) on 18th November 2004 as an independent body to report directly to the Economic Intelligence council (EIC) headed by the Finance Minister. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transaction.

The Prevention of Money Laundering Act, 2002 (PMLA)

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July, 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, and Government of India. The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) INDIA

As per the provisions of the Act, every banking company, financial institution (which includes Chit Fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and **Intermediary** (which includes a Stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, Portfolio Manager, Investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall have to maintain a record of all the transactions, the nature and value of which has been prescribed in the Rules notified under the PMLA. For the purpose of PMLA, such transactions include:

1. All cash transactions of the value of more than Rs.10 Lakhs or its equivalent in foreign currency.
2. All series of cash transactions integrally connected to each other, which have been valued below Rs.10 Lakhs or its equivalent in foreign currency, such series of transactions within one calendar month.
3. All suspicious transactions whether or not made in cash.

Policy of R.B.Jaju Securities (I) Pvt Ltd.

R.B.Jaju Securities (I) Pvt Ltd. (RBJAJU) has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002.

Implementation of this Policy

Mr.Govind Jaju (Compliance Officer) – R.B.Jaju Securities (I) Pvt Ltd will be the **Principal Officer** who will be 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
- Ensure that RRBMSDL discharges its legal obligation to report suspicious transactions to the concerned authorities.

All the dealers and staff be trained for the policies and procedures relating to prevention of money laundering, provisions of the PMLA and the need to monitor all transactions to ensure that no suspicious activity is being undertaken under stock trading.

Every staff member is informed about the appointment of Principal Officer, who is Mr. Govind Jaju.

Every staff member, who is in direct contact with the client will report all suspicious transactions to the Principal Officer and the Principal Officer will monitor the transactions and ensure compliance with the Anti Money Laundering Guidelines.

The staff member will undertake the transaction of the client only after proper identification of the customer according to Know Your Client (KYC) Policy.

- For that it is clearly stated that before entering into any transaction - proof of identity of the clients must be obtained and any one of the following document should be collected after verifying from the original:

- Pan Card
- Passport
- Voter ID
- Driving License

Proof of address of the clients should also be obtained. Any one of the following should be collected after verifying from the original:

- Copy of Passport
- Voter ID
- Driving License
- Electricity Bill
- Telephone Bill or
- Bank Passbook

A personal interaction must be made by one of the staff member before opening the account. The Front office should be vigilant and conduct ongoing due diligence and security throughout the course of the business relationship with the clients.

Relationship with a business entity like a company / firm should be established only after obtaining and verifying suitable documents in support of name, address and business activity such as certificate of incorporation under the Companies Act, 1956, MOA and AOA, registration certificate of a firm (if registered), partnership deed, etc.

The Board Resolution for carrying out activities with name of the employees who would be authorized to transact on behalf of the company/ firm and documents of their identification together with their signatures, should also be obtained. Copies of all documents called for verification should be kept on record. In case of slight doubt, Dealer will verify the necessary documents before opening an account to ensure the client background.

- In Money Laundering the following is covered :

All cash transactions of the value of more than Rs. 10 lakhs or its equivalent in foreign currency.

All series of cash transactions integrally connected to each other which have valued below but taken place within one calendar month.

a) For that purpose all the dealers are informed that don't undertake transactions in cash for their clients. All the receipts and payments will be accepted only through cheques.

b) Every dealer will monitor the amount involved in the transactions undertaken for their clients. If any time there is large difference, the dealer will monitor the transactions and ask the client for such variations.

c) If the Dealer is not satisfied with the source of funds / nature of transactions he will report to the Principal Officer.

- In case of suspicious transactions, dealer will report in writing to the Principal Officer. full details of all suspicious transactions undertaken by the client.
- When the Principal Officer is reasonably satisfied that the suspicious transactions has / may have resulted in money laundering, he will make a report to the appropriate authority viz. the FIU.
- The Principal Officer will maintain all the correspondence & reports with the appropriate authority in connection with suspicious transactions.

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

1. Obtaining sufficient information about to the client in order to identify who is the actual beneficial owner on whose behalf transaction is conducted.
2. Verify the customer's identity using reliable, independent source document, data or information.
3. Conduct ongoing 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.

The Customer Due Diligence Process includes three specific parameters :

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

Policy for Customer Acceptance

- 1) **Each client should be met in person:** 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 in 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.
- 2) **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) and Exchanges are obtained and verified
- 3) **Do not accept clients with identity matching persons known to have criminal background:** Check whether the client's identify 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.
- 4) **Be careful while accepting Clients of Special category:** We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc.) 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.

5) **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.

6) **Do not compromise on submission of mandatory information/ documents:** Client's 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.

b) 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.

Documents which can be relied upon:

-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 website.

-IDENTITY Proof: PAN Card itself can serve 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.

-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.

Documents to be obtained as part of customer identification procedure for new clients:

a. In case of individuals, one copy of the following documents have to be obtained :

-As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card copy with the original. [Please put "verified with original" stamp as proof of verification]

-Other proofs for identity are Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card or any other document prescribed by the regulatory authorities.

- Address proof in the form of Voter's Identity Card, Passport, Bank Statement, Ration card and latest Electricity/telephone bill in the name of the client or any other document prescribed by the regulatory authorities.

b. In case of corporates, one certified copy of the following documents must be obtained:

-Copy of the Registration/Incorporation Certificate

-Copy of the Memorandum & Articles of the Association

-Copy of the PAN card and the Director Index No. (DIN)

-Copy of the latest audited Annual Statements of the corporate client

-Latest Net worth Certificate

- Latest Income Tax return filed.
- Board Resolution for appointment of the Authorized Person who will operate the account.
- Proof of address and identity of Authorized Person

c. In case of partnership firm one certified copy of the following must be obtained:

- Registration certificate
- Partnership Deed
- PAN card of partners
- Authorization letter for the person authorized to open and operate the account
- Proof of identity and address of the authorized person.
- Annual statement/returns of the partnership firm

d. In case of a Trust, one certified copy of the following must be obtained:

- Registration certificate
- Trust Deed
- PAN card
- Authorization letter for the entity authorized to act on their behalf
- Officially valid documents like PAN card, voters ID, passport, etc of person(s) authorized to transact on behalf of the Trust.

e. In case of unincorporated association or a body of individuals, one certified copy of the following must be obtained:

- Resolution of the managing body of such association or body of individuals
- PoA in favour of person authorized to transact
- Officially valid documents like PAN card, voters ID, passport, etc of the person(s) authorized to transact
- Any document required by RRBMSDL to establish the legal existence of such an association or body of individuals.

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

- Copy of the PIS permission issued by the bank
- Copy of the passport
- Copy of PAN card
- Proof of overseas address and Indian address
- Copy of the bank statement
- Copy of the demat statement
- If the account is handled through a mandate holder, copy of the valid PoA/mandate

Risk-based Approach

It is generally recognized that certain customers may be of a higher or lower risk category depending on circumstances such as the customer's background, type of business relationship

or transaction etc. As such, the registered intermediaries should apply each of the customer due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the registered intermediaries should adopt an enhanced customer due diligence process for higher risk categories of customers. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of customers. In line with the risk-based approach, the type and amount of identification information and documents that registered intermediaries should obtain necessarily depend on the risk category of a particular customer. Accordingly the company RRBMSDL would categorized the clients to High Risk having the Turnover of >Rs. 150 Crores per quarter. Further any Corporate Client will also be categorized as High Risk.

Clients of special category (CSC): Such clients include the following

- a. Non resident clients
- b. High Net worth clients,
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Companies having close family shareholdings or beneficial ownership
- e. Politically exposed persons (PEP) of foreign origin
- f. Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
- g. Companies offering foreign exchange offerings
- h. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, 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.
- i. Non face to face clients
- j. Clients with dubious reputation as per public information available etc. The above mentioned list is only illustrative and the intermediary should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

*A client having Annual Income More than Rs. 25 Lac or Net Assets/ Worth exceeding Rs. 1 Core would be treated as High Network Client.

Risk Profiling of the Client

We should accept the clients 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. For this purpose, we need to classify the clients as Low risk, medium risk and high risk clients. 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. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc. In order to achieve this objective, all clients of the branch should be classified in the following category :

Category A – Low Risk
Category B – Medium Risk
Category C – High risk

Category A clients are those pose low or nil risk. They are good corporates/ HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.

Category B clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with RBJAJU.

Category C clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc. Further RRBMSDL would categorized the clients to High Risk having the Turnover of >Rs. 150 Crores per quarter. Further any Corporate Client will also be categorized as High Risk.

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.

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 bona fide purpose. A Few examples of suspicious transactions can be:

- a) Large amounts of Cash received against receivables
- b) Demand Drafts or cheques issued by third parties
- c) Drafts having instructions to be transferred to a thirty party (endorsement and co)
- d) Cheques not received from banks other than registered bank accounts

Under such circumstances, the transaction should be brought to the notice of the compliance officer for further investigation and necessary action. If the Principal Officer is reasonably satisfied that the suspicious transaction has/ may have resulted in Money Laundering, he should make a report to the appropriate authority viz. the FIU.

Combating Financing of Terrorism

In terms of PMLA Rules, suspicious transaction should include, *inter alia*

a) transactions, which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism. Intermediaries are, therefore, advised to develop suitable mechanism through appropriate policy framework for enhanced monitoring of accounts suspected of having terrorist links and swift identification of the transactions and making suitable reports to FIU-Ind on priority.

b) As and when list of individuals and entities, approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs), are received from Government of India, Reserve Bank circulates these to all banks and financial institutions. Banks/Financial Institutions should ensure to update the lists of individuals and entities as circulated by Reserve Bank.

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: and
- The parties to the transaction.
- The reason of suspicion.

Staff training

All the managers and staff of the RBJAJU must be trained to be aware of the policies and procedures relating to prevention of money laundering, provisions of the PMLA and the need to monitor all transactions to ensure that no suspicious activity is being undertaken under the guise of money changing. Then steps to be taken when the staff come across any suspicious transactions (such as asking questions about the sources of funds, checking the identification documents carefully, reporting immediately to the PO, etc.) should be carefully formulated by RBJAJU and suitable procedure laid down.

AML Alert generation policy at R.B.JAJU Securities (I) Pvt Ltd.

At the beginning of this policy frame work, the management of the company has realized the need for robust surveillance & Alert generation mechanism so as to avoid possible misuse of the trading mechanism. The trading department and accounting department are regularly trained for look out on the basis of below mentioned parameters.

Parameters on which the AML alerts are generated by dealers : Following are the parameters / nature of alerts / reports / scenarios available

- 1. Client Scrip Concentration:** To understand whether a given client is focusing on a particular scrip over a period of x period. Also analysis of his focus on the investment pattern.

2. **Client Exchange Volume:** To understand the intent of the client on his share of turn over , trades , percentage, movement of the price over that period. Clubbed report for a period for a client for a script. This will help to understand whether there is an intent to do transactions of no economic rationale or manipulation. In the intent is to get highlighted clients when they have unusually large positions with the exchange for a given instrument, the number of occasions done in different scripts. This could help in trying to understand matched trades between different brokerage houses through the indicator of the number of trades in the exchange and the client.
3. **Client Purchase to Income :** This parameter tells you the financial size vis a vis the fund flow and whether there is violation. This should bring those clients whose income is X and are bring funds in multiple of X.
4. **Synchronized Trading:** Highlight clients who are trading within themselves or group of individual.
5. **Client Net Sell:** This criteria will highlight to clients which have been net selling. The idea here is to understand the source of securities or the way in which profit is generated. Factors considered are Buy and sell in BSE Equities & NSE Equities
6. **Money Flow In:** This criteria will highlight to you clients which have been bringing money which is disproportionate to their size. Factors considered are Financial transaction which means receipts or payments done by a client across all segments.
7. **Money Flow Out:** This criteria will highlight to you clients which have been taking out money which is disproportionate to their size. Factors considered are: - Financial transaction which means receipts or payments done by a client across all segments.

Online Surveillance.

1. The surveillance team watches the online trades as they happen and extra ordinary volume in the particular scrip is immediately investigated for details of clients and as per the details made available, the clients previous purchase or sales transactions are looked into.
2. We have allocated group limit for A, B1, B2, T, TS and Z group. The Surveillance Team gives limit in a very conservative manner, especially, in Z, T and TS group.
3. In T and TS group, we had set the limit and we generally discourage our clients to trade further. Any limit accretion requests are first investigated and then upon being satisfied with the bonafide of the trade as well as the client, limits are accordingly increased.

4. Since the same staffs are monitoring the trades daily, any pattern in trading / limit enhancement is reported once a week to the director for further investigation.

Offline Surveillance.

1. Surveillance team has prepared special filters in an excel format wherein the trades scrip wise are uploaded and reviewed vis-à-vis the exchange volume in that scrip.
2. All the scrips where our volumes are greater than 5 % are scanned for its participation vis-à-vis exchange volume on earlier days to see if a trend is discernible. If there is a visible pattern, these scrips are put in "SCRIP ALERT".
3. Group / Branch concentration is looked out for such "SCRIP ALERT" scrips.
4. Price movement over a 3 / 6 months period is also tracked.

CLIENT WISE SURVEILLANCE

1. All the clients who have traded in the scrip placed in "SCRIP ALERT" are scrutinized for their other scrip dealings.
2. Looking at the general quality of scrips that they are dealing in, Surveillance Manager reports to the Director for further action on whether we want to continue to deal as a broker for that client or not.
3. Intra day Scrip Wise Volume:- We have developed a software module which offline tracks the intra day loss of all clients. The Surveillance Team prepares & scrutinizes the statement to look at any unnatural volumes happening without delivery.

Alert Management at Senior Level

Once the alert is raised it will be jointly looked at by the principal officer and various other team members. Further information will be sought and quick action / decision will be tried to arrive at. Once the case is decided to be reported, within 7 days STR will be filed with FIU, without tipping off to the client of any kind.

Procedure for freezing of funds, financial assets or economic resources or related services:

Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA.

Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further

empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously.

Recording / Recordkeeping of suspicious maintain

The records of suspicious transaction based on the above criteria and also the same may be saved, against each transaction the reason which is why the transaction is not reported. Also further if the transaction is reported then the same is done in the required format and also save them in the suspicious transactions format, for a period of Eight years from the date of the transaction between the client and the intermediary.

We maintain and preserve the record of documents evidencing the identity of clients and beneficial owners (e.g., copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of Eight years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.

Policy for Recruitment of personnel

The HR Department is instructed to cross check all the references and should take adequate safeguards to establish the authenticity and genuineness of the persons before recruiting. The department should obtain the following documents:

- Photographs
- Proof of address
- Identity proof
- Proof of Educational Qualification
- References
- Retention of records

Employee Training and Investor Education

An effort would be made to make the employees aware of the PMLA Procedures and other aspects of anti money laundering during the staff meeting which is generally held once or twice in a month. Copies are also being handed over to the employees physically as and when reviewed or at the time of joining for the new employees.

Date: - 31st March 2022

Reviewed by – Mr. Govind jaju

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