

ANTI MONEY LAUNDERING POLICY

SHAILESH MERCHANT STOCK BROKERS PRIVATE LIMITED 2014 - 15.

ANTI-MONEY LAUNDERING POLICY

1. Background:

Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18th January 2006, vide letter No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 and vide Circular No. ISD/AML/CIR-1/2010 dated February 12, 2010, Circular No. CIR/ISD/AML/2/2010 dated June 14, 2010, Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010 and Circular No. CIR/MIRSD/1/2014 dated March 12th, 2014 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI.

2. MONEY LAUNDERING AND PREVENTION OF MONEY LAUNDERING ACT, 2002

i. Money Laundering is the process by which large amounts of illegally obtained money (from drug trafficking, terrorist activity or other serious crimes) is given the appearance of having originated from a legitimate source. All crimes that produce a financial benefit give rise to money laundering.

ii. 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.

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

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

- b. 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.
 - c. All transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency
 - d. All suspicious transactions whether or not made in cash and including, inter alia, credits or debits into from any non monetary account such as Demat Account, security account maintained by the registered intermediary.
- iv. The Anti - Money Laundering Guidelines provides a general background on the subjects of money laundering and terrorist financing in India and provides guidance on the practical implications of the PMLA. The PMLA Guidelines sets out the steps that a registered intermediary and any of its representatives, need to implement to discourage and identify any money laundering or terrorist financing activities.

3. Financial Intelligence Unit (FIU)–INDIA:

The Government of India has 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 INDIA 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.

4. Objective of these Guidelines:

The purpose of this document is to guide all the employees of RSBL and employees of its associates on the steps that they are required to take and implement to prevent and identify any money laundering or terrorist financing activities. It shall be the responsibility of each of the concerned employees that they should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of these measures and the requirements as enshrined in the “Prevention of Money Laundering Act, 2002”. Some of these suggested measures may not be applicable to every circumstance or to each department, Branch / Sub-broker. However, each entity should consider carefully the specific nature of its business, type of customer and transaction to satisfy itself that the measures taken by the employees are adequate and appropriate to follow the spirit of these guidelines.

5. Implementation of this Policy:

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

- Obtaining sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted.

- ▶ Verify the customer's identity using reliable, independent source document, data or information.
- ▶ 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.

5.2 The Customer Due Diligence Process includes three specific parameters :

- ▶ Policy for Acceptance of Clients
- ▶ Client Identification Procedure
- ▶ Suspicious Transactions identification & reporting

6. Client Acceptance Policy:

▶ 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 filed 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.

▶ Accepts clients 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 clients 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.

▶ 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.

▶ 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, and 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

▶ Guidelines on Identification of Beneficial Ownership:

For non-individual customers as part of the due diligence measures sufficient information must be obtained in order to identify persons who beneficially own or control securities account. Whenever 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 and verified using client identification and verification procedures as early as possible. The beneficial owner is the natural person or persons who ultimately own, control, or influence a client and/or persons on whose behalf a transaction(s) is/are being conducted. It includes persons who exercise ultimate effective control over a legal person or arrangement.

Company will follow below mentioned approach while determining beneficial ownership:

A. For clients other than individuals or trusts:

1. Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the Company will identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

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.

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

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a corporate/company;
- ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

b. In cases where there exists doubt under clause 1 (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

c. Where no natural person is identified under clauses 1 (a) or 1 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

B. For client which is a trust:

2. 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 the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

C. Exemption in case of listed companies:

3. 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.

D. 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.

► *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.

► *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.

6.1 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.

6.1.1. 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, Aadhaar Letter, Ration card and latest Electricity/telephone bill in the name of the client.

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

• *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.

• 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

• 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

• 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.

• 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 RSBL to establish the legal existence of such an association or body of individuals.

• 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

6.2 GENERAL GUIDELINES:

- Always check original documents before accepting the copies
- Obtain the latest photograph of account holder/ authorized person(s)
- Check for latest IT return of the client/ Net worth Certificate for ascertaining the financial status of the client to know the client suitability of the product being sold to the client
 - Review the above details on-going basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer's source of funds.
 - Scrutinize the forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, ask for any additional details like salary slips, etc. to satisfy yourself whenever there is a doubt.
 - For scrutiny / background check of the clients, websites such as www.watchoutinvestors.com should be referred. Also, Prosecution Database / List of Vanishing Companies available on www.sebi.gov.in and RBI Defaulters Database available on www.cibil.com can be checked.
 - Keep watch on the welcome kits returned with reason - undelivered. Business Head should be alerted, client be contacted immediately on telephone and the trading, if suspected, should be suspended.

6.3 For all Existing clients:

6.3.1. On an on-going basis, the branches should ensure that the details given in the KYC, by the client, matches with the current details of the client. If required, we can seek additional documents/information from the client to verify the financial/general status of the client.

6.3.2. In cases where:

- There is any material negative change in the financial details of the client from what is given in the KYC.
 - If the client is not contactable/traceable or contracts notes/ communications sent are received back undelivered.
 - In case the client is prohibited by any regulatory authority.
 - The client refuses to provide additional information/document asked for.
 - There is a material change in the mandate holder profile/details

Branches should immediately bring the same to the notice of the Regional Head. The Regional Head will, in turn, discuss the same with the Principal Officer to decide on the necessary course of action.

7. Risk Profiling of the Client:

7.1. Company 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 KYC details, location, nature of business/trading activity, turnover, nature of transaction, manner of payment etc.

7.2. In order to achieve this objective, all clients should be classified in the following category:

- ▶ Category 1 – Low Risk
- ▶ Category 2 – Medium Risk
- ▶ Category 3 – High risk

7.2.1 Category 1: clients are those who have financial income status is Rs.25,00,000 and above.

7.2.2. Category 2: clients are those who have financial income status between Rs.5,00,000 to Rs.25,00,000.

7.2.3. Category 3: clients are those who have financial income status below Rs.5,00,000.

7.3. Company has to be careful while monitoring the transactions of B and C category clients. Where a client is classified under Medium or High Risk category, said accounts should be kept under supervision of Principal Officer.

7.4. Apart from this company 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.

7.5. 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.

7.6 Mandate Holder Policy

7.6.1. The primary objective of this policy is to ensure that we are aware as to who is the ultimate beneficiary of the transaction and that the transactions executed, through the mandate holder are bonafide.

7.6.2. It is possible that some of the individual clients might appoint a mandate holder. Normally the trading account is opened in the name of various family members and one the family member will hold the mandate.

7.6.3. Whenever any account is operated by a mandate holder, find out the relationship of the mandate holder with the client, followed by establishing the identity of the mandate holders by obtaining proof of identity and address.

7.6.4. Do not accept any payment from the account of mandate holder in favour client. All the payments have to be received from the client's bank account only for which the PoA holder may or may not have the mandate to operate the bank account. Similarly pay-out cheques should be issued only in the name of the client and not in the name of the mandate holder.

7.6.5. In case there is suspicion on the relationship between the mandate holder and the actual client or in case behavior of the mandate holder is suspicious, do take necessary advice from the Business Head.

8. Risk Based Approach & Risk Assessment:

Following Risk based KYC procedures are adopted for all clients:

- i. Large number of accounts having a common account holder,
- ii. Unexplained transfers between multiple accounts with no rationale,
- iii. Unusual activity compared to past transactions,
- iv. Doubt over the real beneficiary of the account,
- v. Payout/pay-in of funds and securities transferred to /from a third party,
- vi. Off market transactions especially in illiquid stock and in F&O, at unrealistic prices,
- vii. Large sums being transferred from overseas for making payments,
- viii. Inconsistent with the clients' financial background to identify the client and the risk factors by referring the webpage http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>. Risk assessment shall be carried out to identify, assess and take effective measures to mitigate money laundering and terrorist financing risk with respect to the Company's 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 Council Resolutions (these can be accessed at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>). The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied.
- ix. A detailed search to be carried out to ensure that the Client is not in defaulters/negative list of regulators. (Search should invariably be carried out on SEBI website www.sebi.gov.in, Ministry of Corporate Affairs sponsored website www.watchoutinvestors.com and UN website at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml).

9. Clients of Special Category (CSC):

- i. Non-resident clients,
- ii. High net-worth clients [high net worth client could be classified as, if at the account opening time or during the course of the trading relationship, it is realised that the client's investment or the appetite for investment is very high.]
- 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. The additional norms applicable to PEP as contained in the subsequent clause 5.5 (Page 19 of the Master Circular) shall also be applied to the accounts of the family members or close relatives of PEPs,

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 center, tax havens, countries where fraud is highly prevalent,

viii. Non face to face clients,

ix. Clients with dubious reputation (define : If a client's reputation during the opening of the account or post opening the account is known to be not good, then the same is marked in "client with dubious public reputation" category.) as per public information available etc.

x. Where the client is a juridical person, verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person.

10. Monitoring of Transactions:

"Suspicious Transaction" means a transaction whether or not made in cash, which to a person acting in good faith:

- i. gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- ii. appears to be made in circumstances of unusual or unjustified complexity; or
- iii. appears to have no economic rationale or bonafide purpose; or
- iv. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;'

10.1 Ongoing monitoring of accounts which includes:

- ♣ Identification and detection of apparently abnormal transactions.
- ♣ The company will monitor through the automated means of 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. For non-automated monitoring, the following kinds of activities are to be mentioned:

10.2 Parameters for analyzing the transactions:

- Clients whose identity verification seems difficult or clients appear not to cooperate
- Substantial increase in activity without any apparent cause
 - Large number of accounts having common parameters such as common partners / directors / promoters / address / email address / telephone numbers / introducers or authorized signatories;
- Transactions with no apparent economic or business rationale
- Sudden activity in dormant accounts;

- Source of funds are doubtful or inconsistency in payment pattern;
- Unusual and large cash deposits made by an individual or business;
- Transfer of investment proceeds to apparently unrelated third parties;
- Multiple transactions of value just below the threshold limit of Rs.10 Lacs specified in PMLA so as to avoid possible reporting;
- Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- Purchases made on own account transferred to a third party through off market transactions through DP Accounts;
- Suspicious off market transactions;
- Large deals at prices away from the market.
 - Accounts used as 'pass through'. Where no transfer of ownership of securities or trading is occurring in the account and the account is being used only for funds transfers/layering purposes.
- All transactions involving receipts by non-profit organizations of value more than rupees ten lakhs, or its equivalent in foreign currency;
- Clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'Clients of Special Category'. Such clients should also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.
 - Irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, file STR if we have reasonable grounds to believe that the transactions involve proceeds of crime.”

10.3. Role of Channel Partner Team:

- Monitoring Of Proprietary Transactions of Channel Partner:
- For scrutiny / back ground check of the Franchisee, websites such as www.watchoutinvestors.com should be referred. Also, Prosecution Database / List of Vanishing Companies available on www.sebi.gov.in
- Check for high volume in proprietary account of channel partner / Sub-broker and his/her relations.
- Scrutinize Demat account of channel partner / Sub Broker (if DP account is with RSBL-DP)
- List all off market transfers and if in doubt seek explanation from concerned Channel partner separately
- Check for third party funds (cheques received from bank accounts other than mapped bank accounts and demand drafts / pay orders)

11. Cash Transactions:

All are requested not to accept cash from the clients whether against obligations or as margin for purchase of securities or otherwise. All payments shall be received from the clients strictly by account payee crossed cheques drawn in favour of Shailesh Merchant

Stock Brokers Private Limited. The same is also required as per SEBI circular no. SMD/ED/IR/3/23321 dated November 18, 1993 and SEBI/MRD/SE/Cir- 33/2003/27/08 dated August 27, 2003.

In case account payee cheques have been received from a bank account other than that captured in records the same can be accepted after ascertaining that the client is the first holder of the account. Relevant copies of the supporting documents should be sent to HO and details of such accounts should be captured in records.

Only in exceptional cases, bank draft/pay-order may be accepted from the client provided identity of remitter/purchaser written on the draft/pay-order matches with that of client else obtain a certificate from the issuing bank to verify the same.

All cash transactions are required to be reported on monthly basis to Mr. Chirag Merchant, by each branch/Sub-broker by 7th of the following month.

12. 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.

12.1. 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 bona fide purpose

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 well -come kit undelivered at the address given by the client
- ▶ Suspicious Background
 - Suspicious background or links with criminals
- ▶ Multiple Accounts
 - Large number of accounts having 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

Unusual activity compared to past transactions Use of different accounts by client alternatively sudden activity in dormant accounts Activity inconsistent with what would be expected from declared business account used for circular trading

► Nature Of Transaction

Unusual or unjustified complexity

No economic rationale or bonafied purposes Source of funds are 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 manipulations Suspicious off market transactions

► Value Of Transactions

Value just under the reporting threshold amount in an apparent attempt to avoid reporting

Large sums being transferred from overseas for making payments

Inconsistent with the clients apparent financial standing Inconsistency in the payment pattern by client Block deal which is not at market price or prices appear to be artificially inflated/deflated

12.2. What to Report:

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

12.3. When to Report:

In terms of the PMLA rules, brokers and sub-brokers are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) 6th Floor, Hotel Samarat, Chanakyapuri, New Delhi - 110021 as per the schedule given below:

Report	Description	Due Date
CTR	All cash transactions of the value of more than Rs.10 Lakhs or its equivalent in foreigncurrency	15th day of the succeeding month
	All series of cash transactions integrally connected to each other which have been valued below Rs.10 Lakhs or its equivalent	15th day of the succeeding month
	In foreign currency where such series of transactions have taken place within a month	
CCR	All cash transactions where forged or counterfeit	Not later than seven working days from the date

	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*	of occurrence of such transaction*
STR	All suspicious transactions whether or not being made in cash	Not later than seven working days on satisfied that the transaction is suspicious*
NTR	Non Profit Organization Transaction Report	Not later than seven working days on Being satisfied that the transaction is suspicious*

* * Master Circular DBOD.AML.BC.No.2/ 14.01.001 / 2010 – 11 dated July 01, 2010

* Notification No. 14/2010

In view of the same, Regional Head are required to collect information from the Branches/Departments/Sub-brokers under their control/ jurisdiction and submit report on Cash transactions on monthly basis, to Mr. Chirag Merchant by the 10th day of the following month and suspicious transactions to the Principal Officer within three working days of establishment of such transaction to enable the Principal Officer to report the same to the Director, Financial Intelligence Unit-India (FIU-IND) within the stipulated time.

12.4. Other Important Points:

- Reasons for treating any transaction or a series of transactions as suspicious should be recorded. It should be ensured that there is no undue delay in arriving at such a conclusion.
- Utmost confidentiality should be maintained in submitting the information.
- The reports may be transmitted by email/speed/registered post/fax at the Head Office addressed to the Principal Officer.
- No restriction may be put on operations in the accounts where a Suspicious Transaction Report has been made.
- It should be ensured that there is no tipping off to the client at any level.

13. Implementation of UAPA order dated August 27, 2009 w.r.t. Section 51A of the UAPA Act, 1967.

Maintain an updated list of designated individuals/ entities in electronic form based on the list sent by SEBI. We regularly run a check on the given parameters on a regular basis to verify whether designated individuals/ entities are holding any funds, financial assets or economic resources or related services held in the form of securities with us.

If the particulars of any of customer/s match with the particulars of designated individuals/entities, we will immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer on their books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in these accounts. In case the details of any of the customers match the particulars of designated individuals/entities beyond doubt, we prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.

The particulars of the communication through post/fax and through e-mail (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Officer on Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU- IND.

14. Formulate/Review/Training on the Internal Policy and Procedure to all Staff/Channel Partner/Sub-brokers:

- This internal policy and procedure on “The Prevention of Money Laundering Act, 2002” should be brought to the notice of all employees.
- All sub-brokers/channel partners shall be intimated and update on the applicable provisions of The Prevention of Money Laundering Act, 2002 and the reporting mechanism by way of a circular.
- Staff training and implementing specific procedures for customer identification and retaining internal records of transactions.
- The Internal Policy should be placed before the Board/Head and if any changes in the policy are warranted, the revised policy should be placed before the Board/Head for review and approval.

14.1. Ongoing Training to Employees:

- Importance of PMLA Act & its requirement to employees through training.
- Ensuring that all the operating and management staff fully understands their responsibilities under PMLA for strict adherence to customer due diligence requirements from establishment of new accounts to transaction monitoring and reporting suspicious transactions to the FIU.
- Organising suitable training programmes wherever required for new staff, front- line staff, supervisory staff, etc.

- Briefings to new employees at induction programs and rounds of small meetings and presentations at branch locations.
- Adequate training should be given to all the concerned employees to (a) ensure that the contents of the guidelines are understood and (b) develop awareness and vigilance to guard against money laundering and terrorist financing.
- As of now, Shailesh Merchant Stock Brokers Private Limited AML policy will be covered during the induction training given to all new recruits and also during the on-going compliance sessions at the regions.

14.2. Audit and Testing of Anti Money Laundering Program:

The Anti- Money Laundering program is subject to periodic audit, specifically with regard to testing its adequacy to meet the compliance requirements. The audit/testing is conducted by Trading Member's own personnel not involved in framing or implementing the AML program. The report of such an audit/testing is placed for making suitable modifications/improvements in the AML program.

14.3. Implementation and Review of AML Policy:

This policy shall come into effect from the date of approval of the Board of Directors of the company for its implementation. The AML Policy shall be reviewed and assessed annually by the company. However, changes in the operation and implementation of the new circulars will be effected as and when they are issued by respective authorities.

14.4. Revision in Documentation from Clients:

Client's documents for incorporating changes in the records for risk categorization alongwith the financial review will be done annually on the basis of income proof such as mentioned herein under Client Acceptance and Identification Policy.

15. System & Procedure for Hiring of Employees:

- i. The Human Resource Department and other Department Heads involved in hiring new employees should have adequate screening procedure in place to ensure high standards in hiring new employees.
- ii. Bona fides of employees are checked to ensure that the employees do not have any link with terrorist or other anti-social organizations.
- iii. Reference of candidate:-Candidate having reference would be called for the interview. In case of employee having applied through newspaper would be called for the interview after scrutinizing his/her bio-data.
- iv. Background of the candidate:-Background of the employee should be clean & under no circumstances candidate who has left earlier employer due to dispute should be selected.
- v. Third party verification of candidate:-If necessary third party verification should be done by making phone call.
- vi. Experience: - Candidate should have to appear for the skilled test depending on the exposure.

vii. Candidate should be aware for PMLA 2002 guidelines. Proper training should be given if he/she is not aware.

16. Investors Education:

As the implementation of AML/CFT measures being sensitive subject and requires us to demand and collect certain information from investors which may be of personal in nature or has hitherto never been called for, which information include documents evidencing source of funds/income tax returns/bank records etc. and can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need for us to sensitize the clients about these requirements, as the ones emanating from AML and CFT framework. We shall circulate the PMLA Circulars and other specific literature/pamphlets etc. so as to educate the client of the objectives of the AML/CFT program. The same shall also be emphasized on, in the Investor Awareness Programs conducted by us at frequent intervals of time. The importance of the same is also made known to them at the time of opening the Account.

17. Record keeping requirements:

Records pertaining to transactions of clients shall be maintained and preserved for a period of five years from the date of the transaction. Record of documents evidencing the identity of the 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 shall be maintained and preserved for a period of five years after the business relationship with the client has ended or the account has been closed, whichever is later. 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, shall be maintained and Preserved for a period of five years from the date of the transaction with the client.

In the 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 transactions reporting all the records shall be maintained till the authority in forms of closure of the case.

18. Principal Officer:

The company has designated the Principal Officer who shall be responsible for implementation and compliance of this policy shall include the following:

- Compliance of the provisions of the PMLA and AML Guidelines
- Monitoring the implementation of Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) Policy
- Reporting of Transactions and sharing of information as required under the law
- Ensuring submission of periodical reports to Top Management. The report shall mention if any suspicious transactions are being looked into by the respective business groups and if any reporting is to be made to the authorities

- Ensure that RSBL discharges its legal obligation to report suspicious transactions to the concerned authorities.

19. Designated Director: “Designated Director” means a person designated by the Board of Directors to ensure over all compliance with the obligations imposed under The Prevention of Money Laundering Act, 2002 and the Rules framed there under, as amended from time to time, and include the Managing Director or a Whole-time Director duly authorized by the Board of Directors. The Company shall appoint a Designated Director and communicate the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU IND and update the same whenever there is any change.

20. Details of Designated Officer(s):

Designated Principal Officer:	Designated Director:
Mr. Chirag Merchant 64A, Maker Chambers III, Nariman Point, Mumbai -400021 Email: csmerchant@gmail.com Tel no: +91 22 43471662	Mrs. Daksha Merchant 64A, Maker Chambers III, Nariman Point, Mumbai -400021 Email: dakshamerchant44@gmail.com Tel no: +91 22 43471662