

# **ANTI MONEY LAUNDERING POLICY**

**FINZOOM INVESTMENT ADVISORS PRIVATE LIMITED**

**Version 2**

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## 1. Preamble

The prevention of Money Laundering Act, 2002 (PMLA) was enacted in 2003 and brought in to force with effect from 1<sup>st</sup> July 2005 to combat money laundering and Terrorist Financing .

Pursuant to the recommendations made the Financial Action Task Force on anti- money laundering standards, SEBI has issued a master circular on anti-money laundering/ Combating the Financing of Terrorism (CFT) in line with the FATF recommendations and PMLA Act, 2002. As per the Guidelines on Anti Money Laundering standards notified by SEBI, all registered intermediaries such as Stockbrokers, Depository Participant have been advised to ensure that proper policy frameworks are put in place.

Finzoom Investment Advisors Private Limited ("Company") is committed to transparency and fairness in dealing with all stakeholders and ensuring adherence to all applicable rules and regulations. The Company is committed to deterring, the best of its ability, money laundering and related activities.

In view of the above, Company has framed its' Anti- Money Laundering policy ("Policy") basis Know your customer ("KYC") guidelines; Anti-Money Laundering ("AML") standards, SEBI Master Circular Ref No: SEBI/HO/MIRSD/DOP/CIR/P/2019/113 and directives issued by SEBI from time to time, collectively hereinafter referred as AML measures.

## 2. Objective

The objective of this policy is to ensure that we identify and discourage any money laundering or terrorist financing activities and that the measures taken by us are adequate to follow the spirit of the Act and guidelines. The policy has been framed by the Company to achieve below mentioned objectives:

To lay down a detailed AML framework and to ensure that the Company is not used as a conduit for money laundering and/or terrorist financing.

To put in place an effective system and procedure for Client identification and verification of the Client's identity and address basis which clients will be accepted

To put in place appropriate controls and robust framework for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures.

To take necessary steps to ensure that the concerned staff is adequately trained in KYC/AML procedures.

Record keeping/ Retention of Documents as per applicable rules and regulations.

## 3. Concept of Money Laundering

Section 3 of the Prevention of Money Laundering (PML) Act 2002 has defined the Offence of money laundering as under:

*Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering*

In simple terms, Money laundering refers to the act of concealing or disguising the origin and ownership of proceeds of criminal activity, including drug trafficking, corruption, terrorism, fraud, and organized crime activities. The process of money laundering involves creating a web of financial transactions so as to hide the origin and true nature of these funds. For the purpose of this document, the term 'money laundering' would also covers financial transactions where the end use of funds goes for terrorist financing irrespective of the source of the funds.

Generally, the money laundering process involves three (3) stages: placement, layering and integration. As illegal funds move from the placement stage through the integration stage, they become increasingly harder to detect and trace back to the illegal source.

- a) **Placement:** Initial introduction of illicit funds into a financial system.
- b) **Layering:** After illegal funds have entered the financial system, layers are created by closing and opening accounts, purchasing, and selling various financial products, transferring funds among financial institutions and across national borders. The intent behind this is to create layers of transactions to make it difficult to trace the illegal origin of the funds, to disguise the audit trail and provide the appearance of legitimacy.
- c) **Integration:** The placing of laundered proceeds back into the economy in such a way that they re-enter the market appearing as normal and legitimate funds.

#### 4. Money Laundering Risks

The risks that the Company may be exposed to if the KYC/AML framework is not strictly adhered to are as follows:

- a. **Reputational Harm-** Any failure to comply with this Policy could have a severe impact on the reputation of the Company. This may be of particular concern given the nature of the business in Stock Broking industry, which requires the confidence of investor /public
- b. **Legal penalties-** Failure to comply with applicable laws or regulations may result in a negative legal impact on the Company. The specific types of negative legal impacts which could arise are fines, confiscation of illegal proceeds, suspension/termination of licenses by any regulators, criminal liability, etc.
- c. **Financial losses-** Risk of loss due to any of the above risks or a combination thereof resulting in a negative financial impact on the Company.

The Company wishes to make it abundantly clear that non-compliance with this Policy by any of the Company's employees/staff may be grounds for disciplinary action, including dismissal from employment, in addition to formal legal proceedings.

#### 5. Definitions:

##### a. KYC:

KYC is the means of identifying and verifying the identity of individuals/entities that the Company has business relationships with through independent and reliable sources of documents, data or information. KYC procedures will have to be conducted on all the clients, in accordance with the terms of this Policy.

##### When should KYC be conducted?

As a general rule of thumb, KYC must be conducted **before** the Company enters into a business relationship with a client. However, it should form part of the Customer Identification Process.

##### b. Client(s) shall include:

- i. A person who either directly or indirectly involves in trading and enters into financial transaction with the Company

**c. Transaction:**

"Transaction" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:

- i. Deposits (including security deposits), amounts used for stock trading in whatever currency,
- ii. Entering into any fiduciary relationship; and
- iii. Any payment made or received in whole or in part of any contractual or other legal obligation.

**d. Officially Valid Document ("OVD") OVD as per PMLA rules, means and includes:**

- a. Passport,
- b. Driver's License,
- c. Proof of possession of Aadhaar number,
- d. Voter's Identity Card issued by the Election Commission of India
- e. Any other valid State or Central Government issued form of identification.

**e. Politically Exposed Persons ("PEPs")**

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.

Do note that the above specified is only an indicative list of individuals who could qualify as Politically Exposed Persons, and the examples set forth are not meant to be exhaustive

**6. Implementation of AML measures/directives****Approach:**

Company has laid down three specific parameters which are related to the overall 'Client Due Diligence Process':

- A. Policy for acceptance of clients
- B. Procedure for identifying the clients
- C. Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)

Other AML Measures

- D. Staff Hiring Policies and Training Programs and
- E. Review of the Policy

**7. Client Due Diligence (CDD)**

The CDD measures shall comprise the following:

a) Obtaining sufficient information in order to identify persons who beneficially own or control the 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 shall be identified using client identification and verification procedures. 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 is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement

b) Verify the client's identity using reliable, independent source documents, data or information

c) Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted -

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

aa) 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 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.

bb) In cases where there exists doubt under clause (aa) 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.

cc) Where no natural person is identified under clauses (aa) or (bb) above, the identity of the relevant natural person who holds the position of senior managing official.

ii. **For client which is a trust:** Where the client is a trust, 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.

iii. **Exemption in case of listed companies:** 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.

iv. **Applicability for foreign investors:** Company shall ensure compliance of SEBI circulars CIR/MIRSD/11/2012 dated September 5, 2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013, for the purpose of identification of beneficial ownership of the client.

v. The compliance of the aforementioned provision on identification of beneficial ownership through half-yearly internal audits shall be monitored by the Stock Exchanges and Depositories.

d) Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c).

e) Understand the ownership and control structure of the client.

f) Conduct ongoing due diligence and scrutiny, 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 Company's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and

g) Company shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

## 8. Policy for Client Acceptance

Where the client is a new client, the account must be opened only after ensuring that his KYC verification process is complete. The Company shall follow the industry standard in implementing the procedure for KYC as per the SEBI Guidelines.

Further in order to reduce hardships and help client in dealing with SEBI intermediaries, SEBI has in their circular dated December 02, 2011 has issued the SEBI {KYC (Know Your Client) Registration Agency (KRA)}, Regulations, 2011, to have uniform KYC norms for the securities market and laid down guidelines pursuant to SEBI Circular No. MIRSD/ Cir-26/ 2011 dated December 23, 2011, and SEBI Circular No. MIRSD/SE/Cir- 21/2011 dated October 5, 2011, which has brought uniformity in the Know Your Customer (KYC) process in the securities market and developed a mechanism for centralization of the KYC records through appointment of KRAs (KYC Registration Agency) to avoid duplication of KYC Process across the intermediaries in the securities market and also mandated intermediaries to conduct In-person-verification (IPV) of new Investors. As per SEBI circular dated January 24, 2013 the Firm is required to identify the beneficial owner of investors and take all reasonable steps to verify the identity of the beneficial owner.

The below mentioned needs to be considered before accepting any Client:

- a. No account should be opened in anonymous or fictitious/benami name(s) i.e. to say that anonymous or fictitious/benami customers shall not be accepted.
- b. Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.
- c. Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time. Further, the Company shall ensure compliance with the list of key circulars/ directives issued with regard to KYC, CDD, AML and CFT as covered in Schedule I of SEBI Master Circular - SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 dated October 15, 2019.
- d. Ensure that an account is not opened where the Company is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to the Company is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. Company shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. Company shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, Company shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.
- e. The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with the Company, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.
- f. Necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide
- g. The CDD process shall necessarily be revisited when there are suspicions of money laundering or

financing of terrorism (ML/FT).

## **9. Risk-based Approach**

It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, the Company shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the Company shall adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that Company shall obtain necessarily depend on the risk category of a particular client.

Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk

## **10. Risk Assessment**

Company shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its 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 the URL - [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml) and <http://www.un.org/sc/committees/1988/list.shtml>)

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. The assessment shall be documented, updated regularly and made available to competent authorities and self regulating bodies, as and when required.

## **11. Clients of special category ("CSC"):**

Such clients shall include the following:

- a) Non - resident clients
- b) High net-worth clients,
- c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- d) Companies having close family shareholdings or beneficial ownership
- e) Politically Exposed Persons (PEP) 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 para 2.2.5 of this circular shall also be applied to the accounts of the family members or close relatives of PEPs.
- f) Companies offering foreign exchange offerings
- g) Clients in high risk countries. While dealing with clients from or situate in high risk countries or geographic areas or when providing delivery of services to clients through high risk countries or geographic areas i.e. places where existence or effectiveness of action against money laundering or terror financing is suspect, intermediaries apart from being guided by the Financial Action task Force (FATF) statements that inter alia identify such countries or geographic areas that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website ([www.fatf-gafi.org](http://www.fatf-gafi.org)) from time to time, shall also independently access and consider other publicly available information along with any other information which they may have access to. However, this shall not preclude Company from entering into legitimate transactions with clients from or situate in such high risk countries and geographic areas or delivery of services through such high risk countries or geographic areas.
- h) Non face to face clients
- i) Clients with dubious reputation as per public information available etc.

## **12. Client identification procedure ("CIP"):**

Company shall ensure compliance with the following requirements:

- a) Company shall proactively put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs. Further, the enhanced CDD measures as outlined in clause 2.2.5 shall also be applicable where the beneficial owner of a client is a PEP.
- b) Company are required to obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, Company shall obtain senior management approval to continue the business relationship.
- c) Company shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- d) The client shall be identified by the Company by using reliable sources including documents / information. Company shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- e) The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the Company in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.
- f) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority by the Company

## **13. Reliance on third party for carrying out Client Due Diligence**

Company may rely on a third party for the purpose of

- a) identification and verification of the identity of a client and
- b) Determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.

Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, it is clarified that the Company shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

## **14. Record Keeping**

Company shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made thereunder, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Byelaws and Circulars.

Company shall maintain such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour.

Should there be any suspected drug related or other laundered money or terrorist property, the competent



investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, Company shall retain, review periodically and update the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

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

Company shall ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed thereunder PMLA, other relevant legislations, Rules and Regulations or Exchange bye laws or circulars.

More specifically, Company shall put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

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

## **15. Information to be maintained**

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

- a) the nature of the transactions;
- b) the amount of the transaction and the currency in which it is denominated;
- c) the date on which the transaction was conducted; and
- d) the parties to the transaction.

## **16. Retention of Records**

Company shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of ten years from the date of transactions between the client and Company.

Company shall formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of ten years after the business relationship between a client and Company has ended or the account has been closed, whichever is later.

Thus the following document retention terms shall be observed:

- a) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.
- b) Company shall maintain and preserve the records of documents evidencing the identity of its 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 ten years after the business relationship between a client and company has ended or the account has been closed, whichever is later.

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

#### **17. Records of information reported to the Director, Financial Intelligence Unit – India (FIU – IND) :**

Company shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of ten years from the date of the transaction between the client and Company.

#### **18. Monitoring of transactions**

Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. This is possible only if the Company has an understanding of the normal activity of the client so that it can identify deviations in transactions / activities.

Company shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. Company may specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIUIND/ other relevant Authorities, during audit, inspection or as and when required. These records are required to be maintained and preserved for a period of five years from the date of transaction between the client and Company.

Company shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the higher authorities within the Company.

Further, the compliance cell of the Company shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

#### **19. Suspicious Transaction Monitoring and Reporting**

Company shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, Company shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:

- a) Clients whose identity verification seems difficult or clients that appear not to cooperate
- b) Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing /business activity;
- c) Clients based in high risk jurisdictions;
- d) Substantial increases in business without apparent cause;
- e) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- f) Attempted transfer of investment proceeds to apparently unrelated third parties;
- g) Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export import of small items.

Any suspicious transaction shall be immediately notified to the Money Laundering Control Officer/Principal Officer or any other designated officer within the Company. The notification may be done in the form of a detailed report with

specific reference to the clients, transactions and the nature /reason of suspicion. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/ suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Principal Officer/ Money Laundering Control Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. It is clarified that Company shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction

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, are categorized as 'CSC' (Client of Special Category). Company are directed that such clients shall 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.

## **20. List of Designated Individuals/ Entities**

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>.

Company shall ensure that accounts are not opened in the name of anyone whose name appears in said list. Company shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU-IND.

## **21. 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 (Annexure 1) detailing the procedure for the implementation of Section 51A of the UAPA

In view of the reorganization of Divisions in the Ministry of Home Affairs and allocation of work relating to countering of terror financing to the Counter Terrorism and Counter Radicalization (CTCR) Division, the Government has modified the earlier order dated August 27, 2009 by the order dated March 14, 2019 (Annexure 2) for strict compliance.

## **22. Reporting to Financial Intelligence Unit-India**

In terms of the PML Rules, Company shall report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,  
Financial Intelligence Unit-India,  
6th Floor, Hotel Samrat,  
Chanakyapuri,  
New Delhi-110021.  
Website: <http://fiuindia.gov.in>

Company shall carefully go through all the reporting requirements and formats that are available on the website

of FIU – IND under the Section Obligation of Reporting Entity – Furnishing Information – Reporting Format ([https://fiuindia.gov.in/files/downloads/Filing\\_Information.html](https://fiuindia.gov.in/files/downloads/Filing_Information.html)). These documents contain detailed directives on the compilation and manner/procedure of submission of the reports to FIU-IND. The related hardware and technical requirement for preparing reports, the related data files and data structures thereof are also detailed in these documents. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, Company shall adhere to the following:

- a) The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- b) The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.
- c) The Non Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- d) The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
- e) Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.
- f) No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non – profit organization transactions to be reported.

Company shall not put any restrictions on operations in the accounts where an STR has been made. Company and their directors, officers and employees (permanent and temporary) shall be prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/ or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level.

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

### **23. Designation of officers for ensuring compliance with provisions of PMLA**

#### **a. Appointment of a Principal Officer:**

Mr. Sunny Bajaj, Chief Compliance Officer and Company Secretary has been appointed as Principal Officer.

To ensure that the Company properly discharge their legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors. Names, designation and addresses (including email addresses) of ‘Principal Officer’ including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, it is advisable that the ‘Principal Officer’ is of a sufficiently senior position and is able to discharge the functions with independence and authority

#### **b. Appointment of a Designated Director:**

Mr. Ashish Kashyap, Executive Director has been appointed as Designated Director (“DD”).

“Designated director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes –

- a) the Managing Director or a Whole-Time Director duly authorized by the Board of Directors if the reporting entity is a company,
- b) the managing partner if the reporting entity is a partnership firm,
- c) the proprietor if the reporting entity is a proprietorship firm,
- d) the managing trustee if the reporting entity is a trust,

e) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and

f) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above.”

In terms of Section 13 (2) of the PMLA, the Director, FIU – IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the Company to comply with any of its AML/CFT obligations.

Company shall communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU – IND.

## **24. Employees’ Hiring/Employee’s Training/ Investor Education**

### **a. Hiring of Employees**

Company shall have adequate screening procedures in place to ensure high standards when hiring employees. Company shall identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

### **b. Employees’ Training:**

Company must have an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements shall have specific focuses for frontline staff, 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.

### **c. Investors Education**

Implementation of AML/CFT measures requires Company to demand certain information from investors which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This 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 Company to sensitize their clients about these requirements as the ones emanating from AML and CFT framework. Company shall prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme.

## **25. Review of the Policy**

The Company reserves the right to amend or modify this Anti-Money Laundering Policy in whole or in part to ensure the effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures. Any such amendment will be made only after obtaining the requisite approvals.

Last Review date: July 8, 2022