

POLICY

ON

ANTI MONEY LAUNDERING

(AML)

Asian Markets Securities Pvt. Ltd.

SEBI Master Circular on Anti Money Laundering (AML and Combating Financing of Terrorism (CFT)- Obligations of Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules Framed there- under (Consolidated upto December 31, 2010) and amended as per latest Circular No. CIR/MIRSD/1/2014 dated March 12, 2014.

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This Policy is applicable for all segments including Cash, Equity Derivatives, Depositories of Member CDSL including in relation to all the Exchanges related to Asian Markets Securities Pvt. Ltd. (herein after called as 'AMSPL').

1. Background:

The Prevention of Money Laundering Act, 2002 (PMLA) was brought into force with effect from 1st July 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on July 01, 2005. Subsequently, SEBI issued necessary guidelines vide circular no. ISD/CIR/RR/AML/1/06 dated January 18, 2006 and vide letter No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 to all securities market intermediaries as registered under Section 12 of the SEBI Act, 1992. These guidelines were issued in the context of the recommendations made by the Financial Action Task Force (FATF) on anti-money laundering standards. Compliance with these standards by all intermediaries and the country has become imperative for international financial relations. As per the provision of PMLA every Member shall have to:

- Maintain a record of prescribed transactions,
- Furnish information of prescribed transactions to the specified authority,
- Verify and maintain records of identity of clients,
- Preserve the records for a period of five years from the date of cessation of transactions with clients

Such transactions includes:-

- All cash transactions of the value of more than Rs 10 lacs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below Rs 10 lacs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
- All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as d-mat account, security account maintained by the registered intermediary.

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' should also be considered.

2. What is Money Laundering

Money laundering is defined as disguising the source or ownership of illegally obtained/ gained funds/money to make them appear arising out of legitimate source or hiding money to avoid paying taxes and thereby converting black money into white money or using legally obtained money in pursuit of unlawful activities.

Money laundering takes place in three phases. The first phase is placement when bulk cash is deposited into banking system or pumped into any legitimate system using funds from illegal activities. The Second phase is layering where multiple transactions are used to separate the proceeds from there illegal source. The third phase is integration where these illegal funds are mixed with apparently legitimate business earnings.

3. Statement of Policy

Most developed countries (including Australia, Hong Kong, Singapore, Taiwan and the UK) have laws making it a criminal offence for a company or an individual to assist in the laundering of the proceeds of serious crime.

The Firm conducts its business in conformity with all laws and regulations of the jurisdictions in which it transacts business. In order to ensure that the Firm meets its legal obligations, employees of **Asian Markets Securities Pvt. Ltd.** must be mindful of the problem of money laundering and constantly vigilant for signs of such activity. Every effort must be made to "know" and verify the identity of the Firm's customers, to be aware at all times of what might constitute a suspicious transaction or suspicious counterparty behavior, to adhere to appropriate account

opening and record-keeping procedures, and to observe **AMSPL's** procedure for reporting suspicious circumstances to Management, Compliance and the relevant authorities.

Recognizing and combating money laundering: "Know Your Customer" The types of transactions which may be used by a money launderer are almost unlimited, making it difficult to define a suspicious transaction. It is, however, reasonable to question a transaction which may be inconsistent with an investor's known, legitimate business or personal activities or with the normal business for that type of investor. Hence, the first key to recognition is to "know your customer".

Employees should be sensitive to potential warning signs of money laundering.

When establishing a relationship, maintaining a relationship or providing services, especially when dealing with a client.

Infrequently, all reasonable steps must be taken to determine, to verify where necessary, and to remain apprised of the identity, financial position and business objectives of the client. Client identification must be carried out before any dealing takes place and the Firm's account opening form must be completed and processed for every new account.

4. Policies and Procedures to Combat Money Laundering and Terrorist financing of Asian Markets Securities Pvt. Ltd.

Asian Markets Securities Pvt. Ltd. (AMSPL) has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame work for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to FIU as per the guidelines of PMLA Rules, 2002. Further member shall regularly review the policies and procedures on PMLA and Terrorist Financing to ensure their effectiveness.

5. Implementation of this Policy

Mr. Chetan R Karia is the Principal Officer & **Mr. Kailash H Biyani** (who is appointed as designated director as per SEBI Circular No. CIR/MIRSD /1/2014 dated 12.03.2014) 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. They ensure that AMSPL discharges its obligations to report suspicious transactions to the concerned authorities.

Obligation to establish policies and procedures

Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that all intermediaries ensure the fulfillment of the aforementioned obligations.

To be in compliance with these obligations, the senior management of AMSPL shall be fully committed to establishing appropriate policies and procedures for the prevention of Money Laundering and Terrorist Financing and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The Registered Intermediaries shall:

- (a) Issue a statement of policies and procedures, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements;

- (b) Ensure that the content of these Directives are understood by all staff members;
- (c) Regularly review the policies and procedures on the prevention of ML and TF to ensure their 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;
- (d) Adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF;
- (e) Undertake client due diligence (“CDD”) measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction;
- (f) Have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- (g) Develop staff members’ awareness and vigilance to guard against ML and TF

Policies and procedures to combat ML shall cover:

- Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;
- Client acceptance policy and client due diligence measures, including requirements for proper identification;
- Maintenance of records;
- Compliance with relevant statutory and regulatory requirements;
- Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and
- Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

6. Customer Due Diligence Measures:

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

- Obtain sufficient information to identify persons who beneficially own or control securities accounts. Wherever 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 using client identification and verification procedures. The beneficial owner is the natural person 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.
- Verify the customer’s identity using reliable, independent source document, data or information.
- Identification of beneficial ownership and control.
- Verify the identity of the beneficial owner of the customer.
- 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.
- Annually update all documents, data or information of all clients & beneficial owners collected under CDD process provided the client provide the information.
- We do not rely on third party for carrying out Client Due Diligence (CDD).

The Customer due Diligence Process includes three specific parameters:

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

6.1 Policy for Acceptance of Clients

a) Each client should be met in person:

We ensure that the existing guidelines regarding Customer/business acceptance is strictly followed. Existing /past relationship with the client should be verified and ensured that the client is not on the negative list/defaulters list.

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 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.

In case of accounts are opened in the name of NRI or FNs. (If the company cannot personally verify the NRI/FN Client), the company / KYC team shall ensure the photocopies of all the KYC documents / Proofs and PAN Card are attested by Indian Embassy or Consulate General in the country where the NRI or FN resides. The attesting authority affixes a "Verified with Originals" stamp on the said documents. The photocopies of the KYC documents and PAN Card should be sign by NRI/FN. If the NRI/FN comes in person to open the account, the above attestation are required may be waived.

Detailed search to be carried out to find that the Client is not in defaulters / negative list of regulators. (Search should invariably be carried out on SEBI website www.sebi.gov.in, CIBIL website www.cibil.com and Ministry of Company Affairs sponsored website www.watchoutinvestors.com.)

b) 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) are obtained and verified.

c) Do not accept clients with identity matching persons known to have criminal background:

Check whether the client's identity 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.

KYC team shall check following sites before admitting any person as client:

- www.watchoutinvestors.com
- www.sebi.gov.in : for prosecution database and vanishing companies' database.
- www.cibil.com
- www.fatf-gafi.org and
- <http://www.un.org/sc/committees/1267/consolist.shtml>
- <http://www.un.org/sc/committees/1988/list.shtml>

d) Remain 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 shareholding/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.

e) 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.

f) Not to compromise on submission of mandatory information/ documents:

Clients 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.

6.2 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.

- a) Before opening the accounts, there should have to be a personal interaction with the client except in the case of NRIs where the power of attorney holder is the Authorised dealer Bank.
- b) Before opening the accounts in case of companies any one of the following viz main promoter/ Managing Director/ whole time director / key management person and in the case of partnership any one of the active partners should be met in person.
- c) Caution is to be exercised when identifying companies which appear to be 'shell companies' or 'front companies'. Shell/front companies are legal entities which have no business substance in their own right but through which financial transactions may be conducted.

Documents to be obtained as part of 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.

- a) Before opening the accounts, there should have to be a personal interaction with the client except in the case of NRIs where the power of attorney holder is the Authorised dealer Bank.
- b) Before opening the accounts in case of companies any one of the following viz main promoter/ Managing Director/ whole time director / key management person and in the case of partnership any one of the active partners should be met in person.
- c) Caution is to be exercised when identifying companies which appear to be 'shell companies' or 'front companies'. Shell/front companies are legal entities which have no business substance in their own right but through which financial transactions may be conducted.

d) In case of clients acting through Power of Attorneys the Principal and agent should come in person for the first time, except where the client is a NRI and the designated branch of the Authorised Dealer Bank is holding the power of attorney. Photos of both to be obtained along with signatures on the photos. The KYC Form, Member Constituent Agreement and the Risk Disclosure Document must compulsorily be signed by the Client himself and not by the POA holder except in case of NRI clients if the POA holder is the designated branch of the authorized dealer.

e) Original of un-expired Photo identity of individual/promoter/director to be verified by our official for identifying the client. Signature of the persons should be obtained on the photos. Photocopy of the proof should be taken by our official who should also certify thereon about having verified with the unexpired original.

Documents which can be relied upon:

- a) 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 Websites.
- b) Identity Proof: PAN Card itself can be served 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.
- c) 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 (un-expired Original should be verified):

A. Proof of Identity (POI): - List of documents admissible as Proof of Identity:

- Unique Identification Number (UID) (Aadhaar)
- Passport
- Voter ID card
- Driving license.
- PAN card with photograph.
- Identity card/ document with applicant's Photo, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/Debit cards issued by Banks.

B. Proof of Address (POA): - List of documents admissible as Proof of Address:

*(*Documents having an expiry date should be valid on the date of submission.)*

- Passport
- Voters Identity Card
- Ration Card
- Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance Copy.
- Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill - Not more than 3 months old.
- Bank Account Statement/Passbook -- Not more than 3 months old.
- Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
- Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-Operative Bank/Multinational Foreign Banks/Gazetted Officer/Notary

public/Elected representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.

- Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.
- For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or apostiled or consularised) that gives the registered address should be taken.
- The proof of address in the name of the spouse may be accepted.

In case of Non-Individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:

Types of entity	Documentary requirements
Corporate	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year). • Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations. • Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly. • Copies of the Memorandum and Articles of Association and certificate of incorporation. • Copy of the Board Resolution for investment in securities market. • Authorised signatories list with specimen signatures.
Partnership firm	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate of registration (for registered partnership firms only). • Copy of partnership deed. • Authorised signatories list with specimen signatures. • Photograph, POI, POA, PAN of Partners.
Trust	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate of registration (for registered trust only). • Copy of Trust deed. • List of trustees certified by managing trustees/CA. • Photograph, POI, POA, PAN of Trustees.
HUF	<ul style="list-style-type: none"> • PAN of HUF. • Deed of declaration of HUF/ List of coparceners. • Bank pass-book/bank statement in the name of HUF. • Photograph, POI, POA, PAN of Karta.
Unincorporated association or a body of individuals	<ul style="list-style-type: none"> • Proof of Existence/Constitution document. • Resolution of the managing body & Power of Attorney granted to transact business on its behalf. • Authorized signatories list with specimen signatures.
Banks/Institutional Investors	<ul style="list-style-type: none"> • Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years. • Authorized signatories list with specimen signatures.

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

C. List of people authorized to attest the documents:

- Notary Public, Gazetted Officer, Manager of a Scheduled Commercial/ Co-operative Bank or Multinational Foreign Banks (Name, Designation & Seal should be affixed on the copy).
- In case of NRIs, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy /Consulate General in the country where the client resides are permitted to attest the documents.

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

For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card and overseas address proof is mandatory.

h) In the case of joint account, the above procedure should be carried out for all the persons who hold the joint account.

7.Risk classification

The level of Money Laundering (ML) risks that the Company is exposed to by an investor relationship depends on:

- Type of the customer and nature of business
- Type of product/service availed by the customer
- Country where the Customer is domiciled

Based on the above criteria, the customers may be classified into three Money laundering relationship depends on:

The guidelines define certain minimum standards of account documentation for all new customer relationships, to enable the Company to understand the nature of the customer's business, carry evidence of key data regarding the customer and its principal owners/ signatories and understand the type and level of activity that is to be considered as normal in the customer's account Customers may be classified in the following risk categories.

(i) High Risk

In addition to client defined in special category, clients who have defaulted in the past, have suspicious background, do not have any financial status and following clients are classified as high risk, provided their transaction value exceeds Rs. 1 million.

- Nonresident clients
- High Net-worth clients
- Trust, Charities, NGOs and organizations receiving donations
- Unlisted Companies
- Companies having close family shareholding and beneficial ownership
- 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. Senior politicians, Heads of States of Government, senior government, /judicial/military/officials.
- Clients who have defaulted in the past, have suspicious background and do not have any financial status.
- Companies offering foreign exchange
- 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 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.
- Clients with dubious reputation as per public information available etc.
- Non face to face Clients.

It should be to determine whether existing / potential customer is PEP. Such procedures would include seeking additional information from clients. Further approval of senior management is required for establishment business relationships with PEP & to continue the business relationship with PEP.

All transaction of Clients identified as High Risk Category should be put to counter measures. These measures may include further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of transactions and applying enhanced due diligence.

(ii) Medium Risk

Client defined in above category having transaction value below 1 million and those Clients who are mostly intra-day Clients or speculative Clients.

Further based on business directive the clients who maintain running account continuously with the company may also be categorized as Medium risk clients as case to case basis.

(iii) Low Risk

Clients those pose Nil or low risk. They are Individuals/Corporate/HNIs who have respectable social and financial standing. These are the Clients who make a payment on time and take delivery of shares. Senior Citizens, Salaried Employees and a major portion of client who indulge in delivery based trading.

The low risk provisions should not apply when there are suspicions of Money Laundering / Financing Terrorism (ML/FT) or when other factors give rise to a belief that the customer does not in fact pose a low risk.

Apart from this we 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.

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.

An assessment should be made of the financial worthiness of the client by obtaining appropriate declarations at

KYC stage. This information should be subsequently used for monitoring whether the transactions of the clients are within the declared means and if the value of the transactions is increasing the client should be asked to disclose the increasing sources.

8. Identification of Beneficial Ownership Policy:-

With reference to **SEBI Circular No: CIR/MIRSD/2/2013 dated January 24, 2013**, the authorized official of the company should ensure to obtain as part of their client Due diligence policy, sufficient information from their clients in order identify of persons who ultimate beneficially owns or control the securities accounts. The beneficial owner as defined by SEBI means the natural person or persons who ultimately owns, control, or influenced a clients o on whose behalf the transactions are been carried or conducted and includes a persons who ultimately effective control over a legal person or arrangements.

We hereby state that in case of below mentioned Clients:-

A. 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, the member shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

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:

- ✓ more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ✓ more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- ✓ 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.

In cases where there exists doubt under clause 4 (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.

B. For client which is a trust:

Where the client is a *trust*, the Member 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:

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:

Members 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.

Further in case 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 should be obtained and kept on record.

9. Record Keeping/ Retention of records

1. Maintenance of records pertaining to transactions of clients is preserved in a manner that allows easy and quick retrieval of data as and when requested by competent authority, for a period of five years.
2. Records evidencing the identity of clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a five years after the business relationship between a client and Member has ended or the account has been closed whichever is later.

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

3. Member shall maintain and preserve the 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, for a period of five years from the date of the transactions between the client and the intermediary.

To provide audit trails to authorities for potential money laundering activities following Information's should be retained for reasonable period of time:-

- i. Beneficial owner of account
- ii. Volume of fund flowing through account
- iii. For selected transactions
- iv. The origin of funds;
- v. Form in which fund was offered
- vi. Form in which fund was withdrawn e.g. cash, cheques etc.
- vii. Identity of person taking transaction
- viii. Destination of fund and securities
- ix. Form of instruction and authority

10. Monitoring of Transactions and Reporting

- Member regularly monitors the transactions to identify any deviation in transactions / activity for ensuring effectiveness of the AML procedures.
- Member shall pay special attention to all unusually large transactions / patterns which appear to have no economic purpose.
- 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/Depositories/FIU-IND/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 intermediary as is required under the PMLA.

11. Suspicious Transactions

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.

11.1. *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 bonafide purpose.

A) 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 welcome kit undelivered at the address given by the client
- Suspicious background or links with criminals

Suspicious Background

- Suspicious background or links with criminals

Multiple Accounts

- Large number of accounts having a 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 Transactions

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Source of funds is 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 manipulation

- 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

B) Policy on Identifying and Reporting suspicious transactions:

The Compliance/Principle Officer for any suspicious transactions will scrutinize transactions filtered out of the following filters in detail. As the Business dynamics are very varied and complex, defining transaction types for reporting will not be undertaken at this juncture (all CTRs & STRs). Having said that, the Principal Officer will review all the transactions thrown out by the filters and decides on a case-to-case basis to report to FIU with in stipulated time with complete details

These filters will be reviewed regularly for any updations and modifications to make the system more robust and effective.

1. Payment for Payout to all the clients will be only through cheque. No cash payments to be entertained under any circumstances.
2. All third party cheques to the credit of clients account irrespective of the amount.
3. All payment made either by way of Demand Draft / Cheques / Money Transfer/Funds Transfer in foreign currencies irrespective of the amount. In case of DD it should be accompanied by the letter of bank in case of some unavoidable situation.
4. To discourage the manipulation relating to the financial strength, we have started the provision of updating the financial statements of the clients annually and this is the ongoing procedure.

11.2. *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
- The parties to the transaction.
- The reason of suspicion.

Rights & Power of Principal officer-

1. Overall monitoring & implementation of the company's KYC/AML/CFT policy and to make changes/amendments in the PMLA/CFT policy of AMSPL time to time along with requirement of Record Keeping, retention, monitoring and reporting.
2. To ask details related to ultimate beneficiary ownership/person controls securities account/POA Holder /Nominee in case it seems to be suspicious.
3. To ask specific nature of its business organizational structure, income details and its way and about the nature of transaction etc of its clients and its business related entities.

4. To verify the customer identity and to refuse in opening any trading/DP account if client acceptance policy has not been met or Client has not fulfilled his due diligence measures, including requirements for proper identification and in-person verification or in case where client account has been opened in Benami name. The same refusal can be applied also based on 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.
5. Conduct of 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. Special checks and permission for clients of special category (CSC) and transaction related to foreign exchange transaction related entities.

Verification and denial in taking the person as a client if the person is in 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) from the website <http://www.un.org/sc/committees/1267/consolist.shtml>.

6. To perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the AMSPL's knowledge of the client, its business and risk profile and the client's source of funds.
7. Stopping of the business of Intermediary in case of manipulation at its end or in providing any support to client who is engaged in any kind of manipulative trading. To approve or disapprove the mode of payment opted by the client especially in case of Cash, Demand draft, Pay order or any other mode which seems to be suspicious or crossing any regulatory limits defined.
8. Immediately stopping of Pay-in or Pay-out of funds/Securities or both if by any means the suspicious Trading pattern /wrong account information or other details has been observed.
9. Monitoring, investigation and taking action against all suspicious transactions('transactions integrally connected', 'transactions remotely connected or related) 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 AMSPL.
10. In handling and reporting of transactions{Cash Transaction Reports (CTRs), Suspicious Transaction Reports (STRs) and Counterfeit Currency Reports (CCRs)} and sharing of information/details, as required under the law in an independent manner and Co-operation with the relevant law enforcement authorities, including the timely disclosure of information. In addition to this the maintenance of utmost confidentiality in filing of CTR and STR to FIU-IND.
11. Dealing with regulators like SEBI, FIU-INDIA or any other law enforcement agency including ministries which are involved in the fight against money laundering and combating financing of terrorism.
12. In defining the role of Internal audit/Compliance function to ensure compliance with policies, procedures, and controls relating to prevention of money laundering and terrorist financing, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff of their responsibilities in this regard.

13. In conduct of any Programme/Seminar/Presentation etc. for the training of the Staff, Registered Intermediary with AMSPL and any other person in connection to the AMSPL to increase awareness and vigilance to guard against money laundering and terrorist financing.

11.3 There shall not be any restrictions on operations in the accounts where an STR has been made. Member 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.

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

12. Freezing of funds, financial assets or economic resources or related services

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.

For accounts which are freezed on our own account or on receiving order from authorities all document should be preserved until final disposition of case to the satisfaction of authorities.

13. Principal Officer and Designated Director:

Principal Officer shall be responsible for reporting suspicious transactions to the authorities and in identification assessment of potentially suspicious transactions.

In the absence of Principal Officer Head operations and Accounts shall be severally responsible for reporting and assessment in consultation with CEO of the Company.

- In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under:

"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 —

- The Managing Director or a Whole-time Director duly authorized by the Board of Directors if the reporting entity is a company,
 - 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
 - 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 PML Act (as amended by the Prevention of Money-laundering (Amendment) Act, 2012), the Director, FIU-IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the intermediary to comply with any of its AML/CFT obligations.
 - Registered intermediaries shall communicate the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND.

14. Hiring and Training Policy:

Every employee must undergo anti money laundering training within a week of joining firm. It is duty of every Departmental head to ensure that every new recruit and employee in his/her department have undergone aforesaid training. They are also trained in CFT procedures.

Further no candidate should be selected who has ever been convicted of offence under Money Laundering Act or any other civil or criminal Act.

15. Policy on Investor Education:

With a view to discharge our responsibility in the view of PMLA requirement, the Company should endeavor to do the following:

- Provide literature to potential clients which make them aware about the AML/CFT requirement.
- Disseminating / spreading the information amongst the investors/clients via different modes.

16. Penalties:

Money laundering and the facilitation of money laundering (including the failure to report suspicious activities) are criminal offences under many laws under which **AMSPL** and its employees have dealings. They may be punishable by lengthy imprisonment for individual or a fine, or both. If an employee has any suspicions and report the suspicions about money laundering to the Compliance the employee will have fulfilled his/her obligations under the law. Rigorous adherence to the Firm's policies and procedures will help to protect the employee.

17. Review of Policy:

The aforesaid AML policy is reviewed on yearly basis or as and when any new circulars issued by the SEBI or CDSL, within one month of the same with regard to testing its adequacy to meet the compliance requirements of PMLA 2002. The Principal Officer is the authority to give directions to undertake additions, changes, modifications etc. as directed by SEBI/ FIU-IND.

Date of Last Review: 04th April 2017

Prepared by: Principal Officer – Chetan Karia

Approved by: Designated Director – Kailash Biyani

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