

## Anti Money Laundering Policy

The Government of India has serious concerns over money laundering activities which are not only illegal but anti-national as well. As a market participant it is evident that strict and vigilant tracking of all transactions of suspicious nature required.

**Accordingly the Company has laid down following policy guidelines:**

### **Principal Officer:**

**Mr. Ajay Kumar Ruhela** is appointed as the Principal Officer. He will be responsible for implementation of internal controls & procedures for identifying and reporting any suspicious transaction or activity to the concerned authorities.

### **Internal Policies, Procedures and Controls:**

#### **a) Identification & Reporting**

The back office and trading staff is instructed to observe the following safeguards:

- 1 No cash transactions for trading in securities shall be allowed at from any client in the normal course of business.
- 2 Maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. Such transactions include:
  - o Cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
  - o All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
  - o All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as demat account, security account maintained by the registered intermediary

If any such transaction is found it will be brought to the notice of the Principal Officer who will report the same to the FIU-IND within

the time limit as prescribed in the PMLA Act.

- 3 Frequent Off Market transfers from one BO account to another shall be scrutinized and asked for. In absence of valid reason case or found suspicious, it shall be brought to the notice of Principal Officer.

**Trading beyond ones declared income:** The turnover of the clients should be according to their declared means of income. Any abnormal increase in client's turnover shall be reported to Principal Officer. The Back Office staff should take due care in updating the clients' financial details and shall periodically review the same.

All said transactions will be maintained in such a manner that data can be retrieved any time If required by any statutory body.

**b) Client identification procedure:**

The 'Know your Client' (KYC) policy should clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.

The client should be identified by the intermediary by using reliable sources including documents / information. The intermediary should obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary in compliance with the Guidelines. Each original document should be seen prior to acceptance of a copy.

Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority within the intermediary.

SEBI has prescribed the minimum requirements relating to KYC for certain class of the registered intermediaries from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which

may be prescribed by SEBI from time to time, all registered intermediaries should frame their own internal guidelines based on their experience in dealing with their clients and legal requirements as per the established practices. Further, the intermediary should also maintain continuous familiarity and follow-up where it notices inconsistencies in the information provided. The underlying principle should be to follow the principles enshrined in the PML Act, 2002 as well as the SEBI Act, 1992 so that the intermediary is aware of the clients on whose behalf it is dealing.

**Policy and Procedure followed:**

We are adhering with the KYC (know Your Client) norms of the SEBI. We take all the details from the client like in case of individual we take photo identity proof issued by any government authority i.e. Driving License, Passport or Pan card containing photo. We take address proof, copy of pan card, bank details and demat details and also verify the original of all the above-mentioned documents. We take above-mentioned details of director in case of corporate, details of partner /proprietor in case of firm and Karta in case of HUF and last but not the least, we always take the details of the introducer of the client. We also update our client agreement form and risk disclosure as per the requirement of the regulatory authority from time to time. **(Annexure I and Annexure II contains the guidelines followed for acceptance and identification of customers)**

We have also instructed our staff to regularly report the transaction of suspicious nature to the Operation Head. We also try to ensure that the payment and delivery is received from the client own bank/ demat account. We don't accept any payment from third party and same rule is being followed in case of delivery also.

**c) Recruitment of personnel**

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

- 1 Photographs
- 2 Proof of address
- 3 Identity proof
- 4 Proof of Educational Qualification

## 5 References

### d) **Retention of records**

Records pertaining to active clients and staff details collected for recruitment shall be kept safely

### **Procedures**

#### a) **Know Your Client Documentation**

- 1 KYC policy is already in place in accordance with SEBI Norms and the staff is instructed to strictly adhere to same in this regard.
- 2 Client Due Diligence Process is already in place with three specific parameters. Such parameters are:
  - o Policy for acceptance of clients
  - o Procedure for identifying the clients by Verifying the customer's identity using reliable, independent source documents, data or information and Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted, corroborating the information.
  - o Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)
- 3 To verify the KYC as per the checklist laid down in the Account Opening Form and no account is to be opened
  - o in fictitious / benami name,
  - o where the identity of the client cannot be ascertained,
  - o information provided is suspected to be non-genuine,
  - o Perceived non-cooperation of the client in providing full and complete information.
  - o Identity of client matches with persons having known criminal background or is banned in any other manner.

- Senior management approval will be obtained for establishing business relationship with PEPs & it will be brought to the notice if client becomes PEPs subsequently.

4. Scanning of our Client database to ensure that no account is held or linked to any entity or individual which is debarred by UN on its website.

5. If account of client is to be operated by someone else authorized by the client in that circumstance the POA should be obtained & it should clearly confirm that in what manner the account will be operated, transaction limits for the operation & right and responsibility of both the parties.

#### **b) Categorization of Clients**

Clients may be classified into high and low risk categories depending upon the volume and nature of their business.

**High Risk Category Clients** Such clients include the following-

- a. Non resident clients
- b. High Net worth clients,
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Companies having close family shareholdings or beneficial ownership
- e. Politically exposed persons (PEP) of foreign origin.
- f. Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
- g. Companies offering foreign exchange offerings
- h. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international

terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent,.

i. Non face to face clients

j. Clients with dubious reputation as per public information available etc.

k. We have also ensure that none of the client are linked to any of the entities or individuals included in the list published by United Nation or UNSCRs. The list of existing clients will also be scanned from said list continuously and full details of the accounts bearing resemblance to any of the individual/ entities in the list will be immediately reported to SEBI & FIU-IND.

The above mentioned list is only illustrative and the back office and trading staff should exercise independent judgment to ascertain whether new clients should be classified as CSC or not

There shall be no minimum investment threshold/ category-wise exemption and above said policy shall be strictly implemented for all the clients.

**c) Setting-up limits**

The margin limit of client is set by RMS Manager, depend on client ledger balance & Security Margin deposited with company. TWS access is restricted to head office only and surveillance department manage the transaction of clients. Margin limits are changed only on phone calls by designated person of Accounts department if funds & Security received from clients.

**Information to be maintained**

Company will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PMLA Rules for the period of 10 years.

I. Client Registration Forms

II. Contract Note

III. the nature of the transactions;

IV. the amount of the transaction and the currency in which it denominated;

- V. the date on which the transaction was conducted; and
- VI. the parties to the transaction.

**d) Hiring of Employees**

The company will have adequate screening procedures in place to ensure high standards when hiring employees. They should 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.

**e) Employees' Training**

Company adopted an ongoing employee training program so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind these guidelines, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

**f) Procedure for freezing of funds, financial assets or economic resources or related services**

Due care will be taken to ensure expeditious adherence of the orders is any issued time to time Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA).

**g) Investors Education**

Implementation of AML/CFT measures requires back office and trading staff to demand certain information from investors which may be of personal nature or which have 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 customer with regard to the motive and purpose of collecting such information. There is, therefore, a need for the back office and trading staff to sensitize their customers about these requirements as the ones emanating from AML and CFT framework. The back office and trading staff should

prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the AML/CFT programme.

**h) Suspicious Transaction Monitoring & Reporting to FIU**

As per our general practice if any transaction of suspicious nature is identified as per section 12 of the PMLA Act, it must be brought to the notice of the Principal Officer who will submit report to the FIU within the prescribed time limit.

Further the entire reporting requirement as per the master circular ISD/AML/CIR-1/2010 dated February 12, 2010 will be duly adhered and would be reported immediately to the FIU in the manner prescribed in this regard.

Above said policies are reviewed by us on regular basis to keep it updated as per the various amendments in the PMLA rules.

**For Clean Finance & Investment Ltd**

**Compliance Officer**



## Annexure-I

### Customer Acceptance Procedure

Features to be verified and documents that may be obtained from

#### Customers

##### Features Documents

Accounts of individuals	<ul style="list-style-type: none"><li>• Legal name and any other names used</li><li>• Correct permanent address</li><li>(i) Passport</li><li>(ii) PAN card</li><li>(iii) Voter's Identity Card</li><li>(iv) Driving licence</li><li>(v) Identity card (subject to the satisfaction of the branch)</li><li>(vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of branch</li><li>(vii) Telephone bill</li><li>(viii) Broker account statement</li><li>(ix) Letter from any recognized public authority</li><li>(x) Telephone bill</li><li>(xi) Electricity Bill</li><li>(xii) Ration Card</li><li>(xiv) Letter from the employer, (subject to the satisfaction of the branch )</li><li>(xv) Any other document which provides customer information to the satisfaction of the broker will suffice.</li></ul>
-------------------------	---

<p>Accounts of companies</p>	<ul style="list-style-type: none"> <li>• Name of the company</li> <li>• Principal place of business</li> <li>• Mailing address of the company</li> <li>• Telephone/Fax Number</li> </ul> <p>(i) Certificate of incorporation and Memorandum &amp; Articles of Association</p> <p>(ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account</p> <p>(iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf</p> <p>(iv) Copy of PAN allotment letter</p> <p>(v) Copy of the telephone bill</p>
<p>Accounts of partnership firms</p>	<ul style="list-style-type: none"> <li>• Legal name</li> <li>• Address</li> <li>• Names of all partners and their addresses</li> <li>• Telephone numbers of the firm and partners</li> </ul> <p>(i) Registration certificate, if registered</p> <p>(ii) Partnership deed</p> <p>(iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf</p> <p>(iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses</p> <p>(v) Telephone bill in the name of firm/partners</p>

<p>Accounts of trusts &amp; foundations</p>	<ul style="list-style-type: none"><li>• Names of trustees, settlers, beneficiaries and signatories</li><li>• Names and addresses of the founder, the managers/directors and the beneficiaries</li><li>• Telephone/fax numbers</li><li>(i) Certificate of registration, if registered</li><li>(ii) Power of Attorney granted to transact business on its behalf</li><li>(iii) Any officially valid document to identify the trustees, settlors, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses</li><li>(iv) Resolution of the managing body of the foundation/association</li><li>(v) Telephone bill</li></ul>
---	--

## Annexure II

### Customer Identification Requirements – Indicative Guidelines

Particulars	Guidelines
Trust/Nominee or Fiduciary Accounts	There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. The dealers should determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, dealers shall insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. While opening an account for a trust, dealers should take reasonable precautions to verify the identity of the trustees and the settlers of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries should be identified when they are defined. In the case of a 'foundation', steps should be taken to verify the founder managers/ directors and the beneficiaries, if defined.
Accounts of companies and firms	Dealers need to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with brokers. Dealers should examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. in the case of a public company it will not be necessary to identify all the shareholders. But at least promoters, directors and its executives need to be identified adequately.
Client accounts opened by professional intermediaries	When the dealer has knowledge or reason to believe that the client account opened by a professional intermediary is on behalf of a single client, that client must be identified. Dealers may hold 'pooled' accounts managed by professional intermediaries on behalf of Entities like mutual funds, pension funds or other types of funds. Dealers should also maintain 'pooled' accounts managed by lawyers/chartered accountants or stockbrokers for funds held 'on deposit' or 'in escrow' for a range of clients. Where funds held by the Intermediaries are not co-mingled at the branch and there are 'sub-accounts', each of them attributable to a beneficial owner, all the beneficial owners must be identified. Where such accounts are co-mingled at the branch, the branch should still look through to the beneficial owners. Where the broker rely on the 'customer due diligence' (CDD) done by an intermediary, it shall satisfy itself that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements.

<p>Accounts of Politically Exposed Persons (PEPs) resident outside India</p>	<p>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. Dealers should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Dealers should verify the identify of the person and seek information about the sources of funds before accepting the PEP as a customer. The dealers should seek prior approval of their concerned Heads for opening an account in the name of PEP.</p>
<p>Accounts of non-face-to-face customers</p>	<p>With the introduction of telephone and electronic brokering, increasingly accounts are being opened by brokers for customers without the need for the customer to visit the broker branch. In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, there must be specific and adequate procedures to mitigate the higher risk involved. Certification of all the documents presented shall be insisted upon and, if necessary, additional documents may be called for. In such cases, dealers may also require the first payment to be effected through the customer's account if any with another broker which, in turn, adheres to similar KYC standards. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the dealers might have to rely on third party certification/introduction. In such cases, it must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.</p>