

Anti Money Laundering Policy

Prevention of Money Laundering Act, 2002 (PMLA) forms the core of legal framework put in place by India to combat money laundering and related crimes. PMLA and the Rules notified there under came into force from 1st July, 2005. Under PMLA, all the entries registered with SEBI are required to furnish information of all the suspicious transactions whether or not made in cash to FIU-IND. Under Section 3 of PMLA, projecting of crime as untainted property is an offence of money laundering liable to be punishment under section 4 of the PMLA.

Money Laundering involves disguising financial assets so that they can be used without detection of the illegal activity that produced them. Through money laundering, the launderer transforms the monetary proceeds derived from criminal activity into funds with as apparently legal source.

Financial Intelligence Unit-India (FIU-IND) is the central national agency of India responsible for receiving, processing, analyzing and disseminating information of suspect financial transactions. FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in combating money laundering and related crimes.

Section 2 (1) (g) of PMLA Rules defines suspicious transaction whether or not made in cash which, to a person acting in good faith:

- Gives rise to a reasonable ground of suspicious that it may involve the proceeds of crime: or
- Appears to be made in circumstances of unusual or unjustified complexity; or
- Appears to have no economic rationale or bonafide purpose; or
- Gives rise to a reasonable ground of suspicious that it may involve facing of the activities relating to terrorism

Policy and Procedures for Anti Money Laundering Measures

The policy and procedures as outlined below provides a general background on the subjects of money laundering and terrorist financing summarizes the main provisions of the applicable anti-money laundering and anti-terrorist financing legislation in India and provides guidance on the practical implications of the Act. The same also sets out the steps that a registered intermediary and any of its representatives, should implement to discourage and identify any money laundering or terrorist financing activities.

The Prevention of Money Laundering Act, 2002 has come into effect from 1st July 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, Government of India.

As per the provisions of the Act, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a nonbanking financial company) and intermediary (which includes a stock-broker, subbroker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment

adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Such transactions include:

- All cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- 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; It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered.
- 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;
- All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into or from any non-monetary account such as demat account, security account maintained by the registered intermediary.

Registered intermediary should adopt written procedures to implement the anti-money laundering provisions as envisaged under the Anti Money Laundering Act, 2002. Such procedures should include inter alia, the following three specific parameters which are related to the overall 'Client Due Diligence Process':

- Policy for acceptance of clients
- Procedure for identifying the clients
- Risk Management
- Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)

SEBI has recognized that a "one-size-fits-all" approach may not be appropriate for the securities industry in India; therefore, SEBI has guided that each registered intermediary shall consider the specific nature of its business, organizational structure, type of clients and transactions, etc. when implementing the suggested measures and procedures to ensure that they are effectively applied. The overriding principle is that they shall be able to satisfy themselves that the measures taken by them are adequate, appropriate and abide by the spirit of such measures and the requirements as enshrined in the PMLA.

Client Due Diligence Process

The customer due diligence ("CDD") measures comprise the following:

a. Obtaining sufficient information in order to identify persons who beneficially own or control securities account.

As a Research Analyst, details of securities account of clients are not shared with us in the process of delivering services and execution services are not part of our research services. Accordingly, identifying the beneficial owner or controlling party of the securities account of the client is the responsibility of the broker handling the trading and securities accounts of the client.

b. Verify the customer's identity

Since Research Analyst regulation does not envisage on the KYC of the clients, basic KYC detail i.e., PAN card number to establish identity of the client are to be collected from the clients of research services. KYC Status of the clients are to be verified from Central KYC Registry (CKYC).

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

Transaction data is not handled by Research Analyst as the client doesn't share the such data with the Research Analyst as part of our research service. The Research Analyst provides non-discretionary research recommendation service, execution of which is on the discretion of the client, and execution is handled by client themselves. Clients don't share any executional or transactional data with the Research Analyst. Accordingly, identifying the beneficial owner or controlling party of the securities account of the client is the responsibility of the broker handling the trading and securities accounts of the client.

As part of client due diligence process below guidelines are to be adhered to

a. Policy for acceptance of clients

Following safeguards are to be followed while accepting the clients:

- No account is opened in a fictitious / benami name or on an anonymous basis.
- Ensure that an account is not opened where the you are unable to apply appropriate client's due diligence measures / collect basic KYC detail i.e., PAN card number.
- Ensure that the client is KYC registered.
- The client should not be permitted to act on behalf of another person / entity for service delivery
- Do not accept clients with identity matching with banned person/ entity as per SEBI/ Stock Exchanges in capital market: -check whether the client 's identity matched with persons debarred/ banned by SEBI before opening of account. If you find them in that list then do not open the account. List may be verified using below links:
 - <https://www.bseindia.com/investors/debent.aspx?expandable=4>
 - <https://www.nseindia.com/regulations/member-sebi-debarred-entities>
- Conduct Risk assessment which takes into account any country specific information using the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions. Do not on-board a client who is present in the list. These can be accessed at the URLs:
 - https://www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list
 - <https://www.un.org/securitycouncil/content/un-sc-consolidated-list>

- <https://www.interpol.int/en/How-we-work/Notices/View-UN-Notices-Individuals>

b. Procedure for identifying the clients

The client identification procedure to be carried out at the time of establishing the client relationship i.e. onboarding the client. Since Research Analyst regulation does not envisage on the KYC of the clients, basic KYC detail i.e., PAN card number of the client are to be collected from the clients to establish identity of our clients whom the services are delivered.

Failure by prospective client to provide satisfactory evidence of identity should be noted and reported and service should not be started for the said client.

c. Maintenance of record

All the records of the clients are to be maintained for a minimum period of 5 Years or as directed by SEBI and other regulatory authorities from time to time. In case 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.

d. Audit

Audit of Research Analyst activities to be done by an independent professional as allowed by the regulation. Any observations of audit to be taken on priority basis and corrective actions to be initiated.

e. Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)

Only Transaction encountered while delivering the service is collection of fees as the Research Analyst does not have access to the execution of transaction data of the clients. Accordingly, the fee collection should be through banking channels only. Further, no cash transaction should be allowed for fee payment by the clients.

The nature and value of transactions, which has been prescribed in the Rules under the PMLA to maintain and record includes:

- All cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- 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; It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered.
- 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;

- All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into or from any non-monetary account such as demat account, security account maintained by the registered intermediary.

Any suspicious transactions will be immediately notified to the Research Analyst who is also the Principal Officer. The notifications may be done in the form of a detailed report with specific references to the clients, transactions and the nature/reason of suspicion. The compliance staff members, if any, will have timely access to customer identification data and other CDD information, transaction records and other relevant information.

Research Analyst/Principal Officer will carefully go through all the reporting requirements and formats as per the provision of PMLA.

- The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND
- Utmost confidentiality will be maintained in filling of CTR and STR to FIU- IND.
- The reports will be transmitted by speed/registered post/fax at the notified address.
- No nil reporting will be made to FIU-IND in case there are no cash/suspicious transaction to be reported.

Reporting of Suspicious Transactions and Accounts

- In terms of the PMLA rules, Research Analyst will report information relating to cash and suspicious transactions to The Director, Financial Intelligence Unit India (FIU – IND), 6th Floor, Tower-2, Jeevan Bharati Building, Connaught Place, New Delhi-110001 or on their latest address or/and in the appropriate online system/module e.g. FINnet/FINGate, as per regulatory requirements.
- Full details of accounts bearing resemblance with any of the individuals/entities in the regulated/sanctioned lists shall immediately be intimated to the Central [designated] Nodal Officer for the UAPA, at Fax No.011-23092551 and also conveyed over telephone No. 011-23092548. The particulars apart from being sent by post shall necessarily be conveyed on email id: jsctcr-mha@gov.in
- The Research Analyst shall also send a copy of the communication mentioned above to the UAPA Nodal Officer of the State/UT where the account is held and to SEBI and FIU-IND, without delay. The communication shall be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Deputy General Manager, Division of FATF, Market Intermediaries Regulation and Supervision Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.

Role of staff

- **Principal Officer:** The Principal Officer is responsible for the following:
 - Communicating the policy on prevention of Money laundering to the employees.
 - Receiving reports from employees for any suspicious dealing noticed by them.
 - Clarification of any queries from employees on this matter.
 - Ensuring that the employees dealing with the clients/prospective clients are aware of the guidelines and are advised to follow the same strictly.
 - Report any suspicious transactions to appropriate authorities.
 - Handle compliance function and to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF
 - Evaluate the process in case any gaps are identified
- **On-Boarding Staff:** For staff members dealing with customers or handling customer-facing processes, it is essential to be sensitive to the AML requirements and obligations
 - Primary responsibility of compliance is on the on-boarding staff since they deal face-to-face with customers.
 - On-boarding staff to carry out KYC process/ customer due diligence process / any further checks required as per our process during new business and renewal
 - Default on carrying out obligation under AML law can attract action as per set company policies
 - If you come to know of any suspicious activity, you have to bring that to our notice

Communication of policy

Copy of above policy is to be provided to all the management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries; An internal session on awareness of the above policy is to be conducted on a yearly basis in 1st week of April to spread awareness of the same among all the relevant person(s).

Compliance with relevant statutory and regulatory requirements

It is to be ensured that the activities are in compliance with all the relevant statutory and regulatory requirements.

Co-operation with the relevant law enforcement authorities, including the timely disclosure of information:

As and when sought appropriate information's of the clients as maintained are to be shared with the relevant law enforcement authorities and timely disclosures of the information's to be made as per the requirement.

Review of Policy and Procedures

Research Analyst is to review the policies and procedures on the prevention of ML and TF to ensure their effectiveness as and when there is change in regulatory guidelines with respect to prevention of ML and TF.

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