

COMPLIANCE OF PREVENTION AND MONEY LAUNDERING ACT (PMLA)

Introduction :-

SAFAL CAPITAL (INDIA) LIMITED had designed this Policy of PMLA and effective AML program to prohibit and Actively prevent the money laundering and any activity that facilitates money laundering or the funding of Terrorist or criminal activities or flow of illegal money or hiding money to avoid paying taxes. To discourage And identify any Money Laundering or Terrorist financing Activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Maintenance of records of the Nature and Value of Transactions. To protect the interests of investors in securities and to promote the development of and to regulate the Securities Market.

This policy provides a detailed Account of the procedures and obligations to be followed to ensure compliance with issues related to **KNOW YOUR CLIENT (KYC) Norms, ANTI MONEY LAUNDERING (AML), CLIENT DUE DILIGENCE (CDD) and COMBATING FINANCING OF TERRORISM (CFT).**

Policy specifies the need for

- Additional disclosures to be made by the clients to address concerns of Money Laundering.
- Suspicious transactions undertaken by clients.
- Reporting to **FINANCE INTELLIGENT UNIT (FIU-IND).**

These policies are applicable to both Branch and Head office Operations and are reviewed from time to time.

Every possible measures are taken for the effective implementation of the Policy. The measures taken are adequate, appropriate and abide by the spirit of such measures and requirements as enshrined in the PMLA to the best of our satisfaction.

Financial Intelligent Unit (FIU) :

The government of India set up Financial Intelligent Unit -India (FIU) on 18th November 2004 as an independent body to report directly to the Economic Intelligence council (EIC) headed by the Finance Minister.

FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transaction. FIU-IND is also responsible for coordinating and stretching efforts of national and interactional intelligence and enforcement agencies in pursuing the global efforts against Money laundering and related Crimes.

The Prevention of Money Laundering Act,2002 (PMLA) :

The Prevention of Money Laundering Act,2002(PMLA) was brought into one 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 securii ties 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 PMLA, every banking company, financial institution (which includes Chit Fund company, a cooperative bank, a housing finance institution and a non-banking financial company) and Intermediary (which includes a Depository Participants, Stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, Portfolio Manager, Investment adviser and any other intermediary associated with securities market and registered under section 1121 of the Securities and Exchange Board of India Act, 1992) shall

have to maintain a record of all the transactions, the nature and value of which has been prescribed in the Rules notified under the PMLA. For the purpose of PMLA, transactions include:

- 1 . All cash transactions of the value of more than Rs. 10 Lakhs or its equivalent in foreign currency.
2. All series of cash transactions integrally connected to each other, which have been valued below Rs.10 Lakhs or its equivalent in foreign currency, such series of transactions within one calendar month.
- 3.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.

For the purpose of suspicious transactions reporting apart from 'transactions integrally connected ', 'transactions remotely connected or related need to be considered.

"Suspicious Transactions" means a transaction whether or not made in cash which to a person acting in good faith –

- (a) Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- (b) Appears to be made in circumstances of unusual or unjustified complexity; or
- (C) Appears to have no economic rationale or bonafide purpose.

4. The Anti-Money Laundering Guidelines provides a general background on the subjects of money laundering and terrorist financing in India and provides guidance on the practical implications of the PMLA The PMLA Guidelines sets out the steps that a registered intermediary and any of its representatives, need to implement to discourage and identify any money laundering or terrorist financing activities.

Appointment of Principle Officer

Mr. Vikas Parashar has been appointed as a "Principal Officer" under the responsible for compliance of the provisions of the PMLA Guidelines Act as a central reference point and play an active role in identification and assessment of potentially suspicious transactions. He ensures that SAFAL discharges its obligations to report suspicious transactions to the concerned authorities.

Responsibilities :

The Principal Officer and Alternate Officer will ensure that :

- A) The Board approved AML Program is implemented effectively.
- B) CDSL generated data based on set parameters is downloaded timely to enable us to analyze the data and report transactions of suspicious nature to FIU-IND directly.
- C) CDSL responds promptly to any request for information, including KYC related information maintained by us, made by the regulators, FIU-IND and other statutory authorities.
- D) CDSL Staff are trained to address issues regarding the application of the PMLA.
- E) The Staff selection and training process complies with the PMLA Policy.
- F) Any other responsibilities assigned by MD & CEO or any other Official authorized by MD & CEO from time to time.
- G) We regularly update regarding any changes / additions / modifications in PMLA provisions.

INTERNAL POLICIES, PROCEDURES AND CONTROL

CLIENT / CUSTOMER DUE DILIGENCE ('CDD):

The Client / Customer Due Diligence (CDD) Measures Comprise the following:

CLIENT INFORMATION & IDENTITY :

Before registering client, obtain antecedent information. Verify independently information submitted by client but not limited to his identity, permanent communication and correspondence addresses, contact details, occupation, promoters or directors in case of the organizations, sources of income, experience in securities market, PAN No., SEBI Registration No etc. obtain as many as information.

Generally Institutional Clients are recognizing at global level. We need to verify client's identity and origin using services of Bloomberg, Reuters, internet services or any other reliable, independent source documents, data or information. After verifying information, registration form along with other supporting documents should be approved by Compliance Officer designated for verification.

BENEFICIAL OWNERSHIP AND CONTROL:

The "Beneficial Owner" is the natural person or persons who ultimately own, control or influence a client and/ or persons on whose behalf transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement. After completing registration process, client account should be verified by independent employee to check the actual beneficial ownership and control of the particular account. We need to obtain the details with respect to Shareholders. Promoters from the Institutional client and it has to be verified independently. In this process we should find out who is authorized to operate the client's account and who is ultimately controlling the account. Also verify the sources of funds for funding the transaction. We also have to take care at the time of settlement regarding; nature of transaction movement / source of transaction, etc. Periodically ask for client's financial details to determine the genuineness of transaction.

ON GOING DUE DILIGENCE AND SCRUTINY:

Annually we need to conduct due diligence and scrutiny of client's transaction and accounts to ensure that transactions are being conducted in knowledge, to find out the risk profile, source of funds, etc. At regular interval, ongoing due diligence and scrutiny need to be conduct 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 the Organizations knowledge of the client, its business and risk profile ,taking into account, where necessary, the customer's source of fund.

POLICY FOR ACCEPTANCE OF CLIENTS:

Before registering client, we need to identify the following details of the prospective client :

1. Ascertain the category of clients before registration as Client. (i.e Individual or Corporate, FII, Mutual Fund, PMS or other).
2. Obtain all necessary documents for registration. (Photograph, Photo identity, Proof of Address, copy of PAN, etc.). Documents should be verified with original and same should be self certified by the client and to be counter signed by the authorized representative in case of the organization.
3. Obtain copy of Bank Statement for ascertaining the mode of payment of transaction.
4. Registration of clients to be made on physical presence of the prospective client.

5. Obtain antecedent details of the prospective client.
6. Ensure that new registration is to be made in clients name only.
7. Ensure that account should not open in fictitious or Benami name'
8. Client's occupation, sources of income.
9. Determine the parameter to categories of client as per risk.
10. Obtain financial statement for at least for last 2 years duly certified by Chartered Accountants.
11. Ensure that all details of KYC form should be complete in all respect Incomplete KYC should not accept by organization.
12. Organization should not register client in case any kind of doubt has been raised by client (i.e. unable to submit required form/proof, any suspicious behavior noticed at the time of registration, etc.)
13. Account should not open where organization cannot apply Customer Due Diligence / KYC policies.
14. The client's account should be scrutinized regularly for determining nature of transaction taker place. In case of any suspicious transaction, the account should be freezer or securities / money should not be delivered to client.

The following safeguards are to be followed while accepting the clients:

- a) The client account should not be opened in a fictitious / Benami name or on an anonymous basis.
- b) Risk perception of the client need to defined having regarded to:
 1. Client's' location (Permanent address, Communications / correspondence addresses, Registered Office Address in case of Institutional client and other addresses if applicable).
 2. Nature of business activity, tracing turnover etc., and
 3. Manner of making payment for transactions undertaken.

The parameters of clients into Clients of Special Category (as given below) may be classified as higher risk and higher degree of due diligence and regular update of KYC profile should be performed.

Category - A: Low Risk

Category - B : Medium Risk

Category - C : High Risk, should be classified as

Category "A" clients are those pose low or nil risk.

Category "B" They are good corporate / HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares. clients are those who are intra-day clients or speculative clients. These: are the clients who Maintain running account with **SAFAL CAPITAL (INDIA) LIMITED**

Category "C" clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

c) Documentation like KYC, DP-Client Agreement and Risk Disclosure Document and other information from different category of client prescribed by SEBI and any other regulatory authority to be collected depending on perceived risk and having regard to the requirement to the Prevention of Money Laundering Act,2002, guidelines issued by RBI and SEBI from time to time.

d) Ensure that a client account is not opened where the organization is unable to apply appropriate clients due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to the organization is suspected to be non-genuine, perceived non co-operation of the client in providing full and complete information. Discontinue doing; business with such a person and filing a suspicious activity report. We can also evaluate whether there is suspicious trading in determining whether to freeze or close the account and should be cautious to ensure that it does not return securities or money that may be from suspicious trades. However, we can consult the relevant authorities in determining what action should be taken when it suspects suspicious trading.

e) We need to comply with adequate formalities when client is permitted to act on behalf of another person /entity. It should be clearly specified the manner in which the account should be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity / value and other appropriate details. The rights and responsibilities of both the persons should be clearly laid down. Adequate verification of a person's authority to act on behalf the customer should be carried out.

f) Necessary checks and balance to be put in 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 .

Acceptance of Clients through Risk-Based Approach:

The clients may be of a higher or lower risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. We should apply each of the clients due diligence measures on a risk sensitive basis. We should adopt an enhanced customer due diligence process for high risk categories of customers. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of customers. In line with the risk-based approach, we should obtain type and amount of identification information and documents necessarily dependent on the risk category of a particular customer.

Risk Assessment

i. In respect of the clauses, we shall carry out risk assessment to identify, assess and take effective measures to mitigate the money laundering and terrorist financing risk with respect to 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.

ii. 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.

Clients of Special Category (CSC):

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

- a. Non Resident clients as per regulatory.
- b. High Net-worth clients *

- c. Trust, Charities, NGOs and organizations receiving donations
- d. Unlisted Companies
- e. Companies having close family shareholding and beneficial ownership
- f. Politically exposed persons (PEP): Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country eg.: Senior politicians, Heads of States of Government, senior government, /judicial/military/officials.
- g. Clients who have defaulted in the past, have suspicious background and do not have any financial status.
- h. Companies offering foreign exchange
- i. 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.
- j. Clients with dubious reputation as per public information available etc.
- k. Non face to face Clients.

Note:

i. High Net Worth Clients

High net worth clients could be classified if at the account opening stage or during the course of the relationship, it is realized that the client's investments or the appetite for investment is high. The High net worth clients are basically categorized as the clients having Net worth of Rs.1 crore or more.

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 who is permitted to act on behalf of another person in the Manner of operating such accounts on the basis of POA. Or Client defined in above category having transaction value below 1 crore 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

All clients not meeting the above criterions are low risk clients. Further, 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 and institutional clients whose trades are settled through custodian are categorized as Low Risk clients.

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.

The above mentioned list is only illustrative and we should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

Client Identification Procedure:

To follow the Client Identification procedure we need to follow the following factors:

- A] The 'Know Your Client' (KYC) policy should be strictly observed with respect to the client identification procedures which need to be carried out at different states i.e. while establishing the DP / Broker - Client Relationship, while carrying out transactions for the client or when have any doubts regarding the veracity or the adequacy of previously obtained client identification data.
- B] The client should be identified by using reliable sources including documents / information. Obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- C] The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed in compliance with the Guidelines. Each original document should be seen prior to acceptance of a copy and it is verified and duly attested.
- D] Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority within the organization.
- E] 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, internal guidelines should be followed in dealing with clients and legal requirements as per the established practices. Also maintain continuous familiarity and follow-up where it notices inconsistencies in the information provided by the client. The principles enshrined in the PML Act, 2002 as well as the SEBI Act, 1992 should be followed, so that Company is aware of the clients on whose behalf it is dealing.
- F] We 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 Client Identification procedure shall also be applicable where the beneficial owner of a client is PEP.
- G] We 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, registered intermediaries shall obtain senior management approval to continue the business relationship.

- H] We shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP”.
- I] We hereby note that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to us from obtaining the minimum information/documents from clients as stipulated in the PML Rules/SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients.
- J] We hereby report that we will carry out CDD periodically as there is no minimum investment threshold/ category-wise exemption.

Reliance on third party for carrying out Client Due Diligence (CDD)

- i. As per the policy we need to carry out Client Due Diligence annually and for this we may also 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.
- ii. 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 we shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

RECORD KEEPING:

For the purpose of the record keeping provision, we should ensure compliance with the record keeping requirements contained in the SEBI Act,1992, Rules and Regulations made there-under, PLM act,2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars. Records to be maintained should be sufficient to permit reconstruction of individual transactions (including the amounts and type of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior. 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 financial profile of the suspect's account. To enable this reconstruction, Organization should retain the following information for the accounts of their customers 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.
- D. The origin of the funds;
- F. The form in which the funds were offered or withdrawn, e.g. cash, cheques, etc;
- G. The identity of the person undertaking the transaction;
- H. The destination of the funds;
- I. The form of instruction and authority.

Organization should ensure that all client and transaction records and information are made available on a timely basis to the competent investigating authorities. We 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 there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

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

- (i) All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- (ii) All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- (iii) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- (iv) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

MAINTENANCE / RETENTION OF THE RECORDS:

Following are the Document Retention Terms should be observed:

1. All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period of FIVE YEARS (5) from the date of cessation of the transaction.
2. Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the FIVE YEARS (5) from the date of cessation of the transaction
3. Records shall be maintained in hard and soft copies.
4. All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period of FIVE YEARS (5) from the date of cessation of the transaction.
5. Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the FIVE YEARS (5) from the date of cessation of the transaction.
6. Records shall be maintained in hard and soft copies.
7. In situations where the records relate to on-going investigation or transactions, which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

MONITORING OF TRANSACTIONS:

1. Regular monitoring of transactions is required for ensuring effectiveness of the Anti Money Laundering procedures.

2" Special attention required to all complex, unusually large transactions / patterns which appear to have non economic purpose.

3. Internal threshold limits to specify for each class of client's accounts and pay special attention to the transaction, which exceeds these limits.

4. Should ensure that the records of transaction is preserved and maintained in terms of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate authority.

5. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.

Further the Compliance Department should randomly examine select transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.

SUSPICIOUS TRANSACTION MONITORING & REPORTING:

Whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances. Followings are the circumstances, which may be in the nature of suspicious transactions : -

1. Clients whose identify verification seems difficult or clients appears to be not co-operating.
2. Asset management services for clients where the source of the funds is not clear or not in keeping with client's apparent standing / business activity; Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
3. Substantial increases in business without apparent cause.
- 4" Unusually large cash deposits made by an individual or business;
5. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
6. Transfer of investment proceeds to apparently unrelated third parties;
7. Unusual transactions by "Client of special category (CSCs)" and businesses undertaken by shall corporations, offshore banks / financial services, business reported to be in the nature of export-import of small items.

Submission of Suspicious Transactions Reports :

Submission of such reports shall be made within the time limit prescribed as follows :-

Suspicious transaction reports shall be submitted in writing or by fax or electronic mail within three working days from the date of occurrence of the transactions.

Notifications issued by SEBI require STR to be reported within 7 working days of establishment of suspicion at the level of Principal Officer

Any suspicion transaction needs to be notified immediately to the "Designated Principal Officer". The notification may be done in the form of a detailed report with specific reference to the client's transactions and the nature or reason of suspicion. However, it should be ensured that there is continuity in dealing with the client as normal until told other wise and the client should 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.

REVIEW OF POLICY :

Managing Director or Chief Executive Officer or any other authorized official shall be the authority to give directions for review of the policy and to undertake additions, changes, modifications etc., as directed by SEBII FIU-IND and all the changes shall be deemed to be incorporated in this policy from their effective date. The PMLA Policy will be annually reviewed by our officers to ensure its effectiveness. Further, the person doing such review will be DP official other than the official who originally drafted the policy.

Additional financial documents to be taken in case client wants to open accounts in Equity / Currency / Commodity derivative segments. SAFAL shall also ensure that client registration details including financial details (income proof, asset proof etc.) of the Top turnover clients are obtained and updated at regular (yearly) intervals.

REPORTING TO FIU:

As per our observations if any, transaction of suspicious nature is identified it must be brought to the notice of the Principal Officer who will submit report to the FIU if required.

We shall carefully go through all the reporting requirements and formats enclosed with this circular. These requirements and formats are divided into two parts- Manual Formats and Electronic Formats. Details of these formats are given in the documents (Cash Transaction Report- and Suspicious Transactions Report) which are also enclosed with this circular. The related hardware and technical requirement for preparing reports in manual/electronic format, 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, we 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 Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;
- (d) Utmost confidentiality shall be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.
- (e) No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious transactions to be reported.

We shall not put any restrictions on operations in the accounts where an STR has been made. It shall be ensured that there is no tipping off to the client at any level. It is clarified that we 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.

Designation of an officer for reporting of suspicious transactions

In order to ensure proper discharge of the 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 will play 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.

Appointment of a Designated Director

In respect of compliance of the updated PMLA Policy, we have appointed Ayush Agrawal as Designated Officer as per Rule 2 (ba) of the PML Rules.

ii. 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.

iii. We shall communicate the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND.

3. We are directed to review the AML/CFT policies and procedures and make changes to the same accordingly.

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

In order to comply the provisions of section 51A of Unlawful Activities (Prevention) Act, 1967 (UAPA). We hereby agree to undertake the procedure mentioned here below:

(i) 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.

(ii) The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit 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.

INACTIVE CLIENT ACCOUNT :

Client account will be considered inactive if the client does not trade for a period of one year. The Shares credit ledger balance if any will be transferred to the client within one week of identifying the client as inactive. The client has to make written request for reactivation of their account in accordance with "Designated Principal Officer" for Compliance with the provisions of Prevention of Money Laundering Act, 2002 (PMLA)"

EMPLOYEES HIRING. EMPLOYEES TRAINING AND INVESTOR EDUCATION:

Hiring of Employees:

We shall have adequate screening procedures; in place to ensure high standards when hiring employees ,having regard to the risk of money laundering and terrorist financing and the size of the business, we ensure that all the employees taking up such key positions are suitable and competent to perform their duties.

The Company HR 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:

- A. Photographs
- B. Proof of address
- C. Identity proof
- D. Proof of Educational Qualification

Employees' Training:

We have an ongoing employee training program conducted by our Principal Officer and Senior Management, Participation of all the Key Employees in the Seminars conducted by various Regulatory bodies from time to time, so that the members of the staff are adequately trained in AML and CFT procedures.

All the Circulars issued by various Regulatory bodies including that of PMLA, are circulated to all the staff Members and the same are also being discussed in length, in the Training Program" . Training program shall have special emphasis on 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.

Our training will include, at a minimum: how to identify red flags and signs of money laundering that arise during the course of the employees' duties; what to do once the risk is identified; what employees roles are in the firm's compliance efforts and how to perform them; the firm's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.

Monitoring Employee Conduct and Accounts:

We will subject employee accounts to the same AML procedures as customer accounts, under the supervise on of the Principal Officer" We will also review the AML performance of supervisors are part of their annual performance review.

INVESTORS EDUCATION:

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

CONFIDENTIAL REPORTING OF AML NON-COMPLIANCE:

Employees will report any violations of the company's AML compliance program to the Principal Officer, unless the violations implicate the Compliance Officer, in which case the employee shall report to the Chairman of the Board. Such reports will be confidential, and the employee will suffer no retaliation for making them.

Policy on Employees' training

The company should have an ongoing employee training programme in terms of following:

- Circulating information from time to time to the concerned employees pursuant to the PMLA requirement wherein all the employees are made aware about requirement of PMLA viz. procedures to be followed while dealing with potential clients, ongoing due diligence in terms of risk profile, clients' transactions etc.
- Conducting presentations from time to time to create awareness amongst the concerned employees