

ANTI MONEY LAUNDERING POLICY

ADROIT FINANCIAL SERVICES PVT LTD

Version 3.02

Year 2014

(as amended upto 1st April 2014)

1. Background

Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18th January 2006, vide letter No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 and vide Circular number CIR/MIRSD/1/2014 dated March 12th, 2014 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI.

2. What is Money Laundering?

2.1. Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins.

2.2. This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

3. Prevention of Money Laundering Act, 2002

3.1. Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005.

3.2. The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) - INDIA

4. Financial Intelligence Unit (FIU) – INDIA

4.1. The Government of India set up Financial Intelligence Unit-India (FIU-IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

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

5. Policy of Adroit Financial Services Pvt Ltd

Adroit Financial Services Pvt Ltd (AFSPL) has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002.

This policy is applicable to AFSPL Employees, Sub-Brokers and Authorised Persons (AP).

6. Objective of these Guidelines

6.1. The purpose of this document is to guide all the employees of AFSPL, Its associates (AP/Sub Brokers) and employees of its associates on the steps that they are required to take and implement to prevent and identify any money laundering or terrorist financing activities. It shall be the responsibility of each of the concerned employees that they should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of these measures and the requirements as enshrined in the "Prevention of Money Laundering Act, 2002".

6.2. Some of these suggested measures may not be applicable to every circumstance or to each department, Branch / Sub-broker. However, each entity should consider carefully the specific nature of its business, type of customer and transaction to satisfy itself that the measures taken by the employees are adequate and appropriate to follow the spirit of these guidelines.

7. Implementation of this Policy

7.1. **Mr. Nikhil Raj Gupta, Vice President - Operations** will be the **Principal Officer** who will be 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
- Ensure that AFSPL discharges its legal obligation to report suspicious transactions to the concerned authorities.

7.2 **Mr Atul Kumar Gupta, Director** is designated as **Director** for supervision of effective implementation of Internal Controls and Procedures required under the "Prevention of Money Laundering Act, 2002".

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

- Obtaining sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted.
- Verify the customer's identity using reliable, independent source document, data or information.

- 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.

7.4. The Customer Due Diligence Process includes three specific parameters:-

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

8. Customer Acceptance Policy

8.1. While accepting any new client following procedures / checks must be adhered to namely;

- a. Each client should be met in person:*** 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 in 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.
- b. Accepts clients 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 clients 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) and Exchanges 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.
- d. Be 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 share holding/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. *Guidelines on Identification of Beneficial Ownership:*** For non-individual customers as part of the due diligence measures, sufficient information must be obtained for identification of ultimate natural person(s) who beneficially own or control such entity. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should be identified and verified using client identification and verification procedures as early as possible. The beneficial owner is the natural person or persons who ultimately own, control, or influence a client and/or persons on whose behalf a transaction(s) is/are being conducted. It includes persons who exercise ultimate effective control over a legal person or arrangement.

- f. *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.

- g. *Do not compromise on submission of mandatory information/ documents:*** Client's 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

8.2. 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.

8.2.1. 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 website

- b. *IDENTITY Proof:*** PAN Card itself can serve 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, Aadhaar Letter, Ration card and latest Electricity/telephone bill in the name of the client.
- d. *FINANCIAL DETAILS Proof:* Annual Accounts, Networth Statement, Form 16, Salary Slip, Bank Statement for Six Months, any other document evidencing the ownership of an Assets.
- e. *BANK DETAILS Proof:* Bank Statement, Copy of Pass Book, Cancelled Cheque

8.2.2. Documents to be obtained as part of customer identification procedure for new clients:

a. In case of individuals, one copy of the following documents have to be obtained :

- As PAN is mandatory, verify its genuineness with IT website and cross verify the PAN card copy with the original. Please put "verified with original" stamp as proof of verification.
- Other proofs for identity are Voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card or any other document prescribed by the regulatory authorities
- Address proof in the form of Voter's Identity Card, Passport, Bank Statement, Ration card and latest Electricity/telephone bill in the name of the client or any other document prescribed by the regulatory authorities.
- Copy of the bank account statement / Pass Book
- Copy of the demat account statement / DP client master
- Proof of financial details

b. In case of corporates, one certified copy of the following documents must be obtained:

- Copy of the Registration/Incorporation Certificate
- Copy of the Memorandum & Articles of the Association
- List of Directors, Copy of their PAN cards, Address Proofs, and the Director Index No. (DIN) and acknowledged copy of Form 32 for their appointment
- Copy of the latest audited Annual Statements of the corporate client
- Latest Net worth Certificate
- Latest Income Tax return filed.
- Board Resolution for appointment of the Authorized Person who will operate the account.
- Photograph, Proof of address and Proof of Identity of all the persons authorized to deal on behalf of corporate
- List of Shareholders
- Copy of the bank account statement / Pass Book
- Copy of the demat account statement / DP client master

c. In case of partnership firm one certified copy of the following must be obtained:

- Registration certificate
- Partnership Deed
- List of Partners, PAN card and address proofs of partners
- Authorization letter for the person authorized to open and operate the account
- Photograph, Proof of address and Proof of Identity of all the persons authorized to transact on behalf of firm
- Annual statement/returns of the partnership firm
- Copy of the bank account statement / Pass Book
- Copy of the demat account statement / DP client master

d. In case of a Trust, one certified copy of the following must be obtained:

- Registration certificate
- Trust Deed
- PAN card
- Authorization letter for the entity authorized to act on their behalf
- Photograph, Proof of address and Proof of Identity of all the persons authorized to transact on behalf of the Trust.
- Copy of the bank account statement / Pass Book
- Copy of the demat account statement / DP client master

e. In case of unincorporated association or a body of individuals, one certified copy of the following must be obtained:

- Resolution of the managing body of such association or body of individuals
- PoA in favour of person authorized to transact
- Officially valid documents like PAN card, voters ID, passport, etc of the person(s) authorized to transact
- Any document required by Karvy to establish the legal existence of such an association or body of individuals.

f. In case of an NRI account – Repatriable / non-repatriable, the following documents are required:

- Copy of the PIS permission issued by the bank
- Copy of the passport
- Copy of PAN card
- Proof of overseas address and Indian address
- Copy of the bank statement
- Copy of the demat statement
- If the account is handled through a mandate holder, copy of the valid PoA/mandate

8.3. General Guidelines

- Always check original documents before accepting the copies
- Obtain the latest photograph of account holder/ authorized person(s)
- Check for latest IT return of the client/ Net worth Certificate for ascertaining the financial status of the client to know the client suitability of the product being sold to the client
- Review the above details on-going basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer's source of funds.
- Scrutinize the forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, ask for any additional details like salary slips, etc. to satisfy yourself whenever there is a doubt.
- For scrutiny / background check of the clients, websites such as www.watchoutinvestors.com should be referred. Also, Prosecution Database / List of Vanishing Companies available on www.sebi.gov.in and RBI Defaulters Database available on www.cibil.com can be checked.
- Keep watch on the welcome kits returned with reason - undelivered. Compliance Officer should be alerted, client be contacted immediately on telephone and the trading, if suspected, should be suspended
- Employee of AFSPS should not preferably sign as witness on the CRF
- If Employee of AFSPS introduces the client, exact relation of the client with such employee should be documented.

8.4. For all Existing clients

8.4.1. On an on-going basis, the branches / APs / Sub Brokers must ensure that the details given in the KYC, by the client, matches with the current details of the client. If required, we can seek additional documents/information from the client to verify the financial/general status of the client.

8.4.2. In cases where:

- There is any material negative change in the financial details of the client from what is given in the KYC.
- If the client is not contactable/traceable or contracts notes/ communications sent are received back undelivered.
- In case the client is prohibited by any regulatory authority.
- The client refuses to provide additional information/document asked for.
- There is a material change in the mandate holder profile/details

the fact should immediately be brought to the notice of the Compliance Officer, who will, in turn, discuss the same with the Principal Officer to decide on the necessary course of action, including reporting to FIU.

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

In case the client is already registered on KRA, we may fetch client's data from KRA sites and compare the same current particulars and supporting documents submitted by

the client. In case there is no discrepancy between the two, the data downloaded from KRS website may be considered for client identification purpose.

9. Risk Assessment of the Client

9.1. We should accept the clients based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as Low risk, medium risk and high risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk client we have to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc.

9.2. In order to achieve this objective, all clients of the branch should be classified in the following category :

- a. Category A – Low Risk
- b. Category B – Medium Risk
- c. Category C – High risk

9.2.1. **Category A** clients are those pose low or nil risk. They are good corporate/HNIs/Retail clients who have a respectable social and financial standing. These are face to face clients who generally make payment on time and take delivery of shares.

9.2.2. **Category B** clients are those who are primarily the intra-day clients or speculative clients dealing in transaction value of more than Rs 2 Crore per day. These are the clients who maintain running account with AFSP.

9.2.3. **Category C** clients are:-

- a. NRI/NRE/PIO/Foreign Clients
- b. Trust, Charities, NGOs and organizations receiving donations
- c. 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.
- d. Clients who have defaulted in the past, have suspicious background and do not have any financial status.
- e. Companies offering foreign exchange
- f. Clients in high risk countries: (where existence / effectiveness of money laundering controls are suspected 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 centres, tax havens, Countries where fraud is highly prevalent.
- g. Clients with dubious reputation as per public information available etc.
 - h. Non face to face Clients.

9.2.4. We have to be careful while monitoring the transactions of B and C category clients.

9.2.5. It should be determined whether existing / potential customer is a 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.

9.2.6. 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.

9.2.7. Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned branch officials, and reported to the Compliance Officer immediately.

9.3. Mandate Holder Policy

9.3.1. The primary objective of this policy is to ensure that we are aware as to who is the ultimate beneficiary of the transaction and that the transactions executed, through the mandate holder are bonafide.

9.3.2. It is possible that some of the individual clients might appoint a mandate holder. Normally the trading account is opened in the name of various family members and one the family member will hold the mandate. Also, in case of some NRI clients who are based abroad, there may be on a PoA/Mandate in favour of a person residing in India.

9.3.3. Whenever any account is operated by a mandate holder, find out the relationship of the mandate holder with the client, followed by establishing the identity of the mandate holders by obtaining proof of identity and address.

9.3.4. Do not accept any payment from the account of mandate holder in favour of the client. All the payments have to be received from the client's bank account only for which the PoA holder may or may not have the mandate to operate the bank account. Similarly pay-out cheques should be issued only in the name of the client and not in the name of the mandate holder.

9.3.5. In case there is suspicion on the relationship between the mandate holder and the actual client or in case behavior of the mandate holder is suspicious, do take necessary advice from the Compliance Officer.

10. Roles

10.1. Relationship Manager/ Dealer/ Branch Manager/ Branch Coordinator/ Compliance Officer:-

- The RM/ Dealer/ BM/ Coordinator should meet the client in person at least once before opening the account at the address given by the client. In the process he may reasonably verify the living standards, source of income, financial status, etc. of the client and ensure that the details mentioned in the CRF (Client Registration Form) matches with the actual status.
- If the client is a 'walk-in client', then the concerned branch official should make independent verification about the background, identity and financial worthiness of the client.
- All mandatory proofs of identity, address and financial status of the client must be collected as prescribed by the regulatory authorities, from time to time. The proofs so collected should be verified with the originals. If the prospective client is refusing to provide any information do not forward his/ her account opening form to HO.
- IN PERSON VERIFICATION can be done by SUB BROKER/AP for clients introduced by them.
- The Compliance Officer has to be completely satisfied about the background, genuineness and financial status of the client before recommending for opening the account. If required, the Compliance Officer may seek additional information/documents from the client.
- If the account is to be handled by a PoA /mandate holder, then find out what is the relationship between the client and the PoA/Mandate holder, establish the identity and background of the client and the PoA/Mandate holder (by obtaining the required documents) and ensure that the PoA/Mandate Holder has the proper authorization.
- In case of a corporate account, the branch officials should ensure that the authorized person has got the required mandate by way of Board Resolution. Also, the identity and background of the authorized person has to be established by obtaining the required documents.
- Foreign clients can deal in Indian market only to sell the shares allotted through ESOP or buy/sell as a 'foreign direct investment'. We cannot deal for foreign clients under any other circumstances.
- Please consult the Compliance Officer before dealing with any NRE, NRO, PIO or foreign clients.

10.2. Risk Management & Surveillance Team

Risk Management & Surveillance Team (RMS) gives exposure to clients based on margin available in the system and clean exposure to selected clients based on recommendations of the Business Managers. It is also the duty of RMS to validate such exposures with the financial details provided by the client in KYC forms. Where there is a trading activity of the client, which is not commensurate with the financial details declared by the client, it should be analyzed and referred to the Principal Officer with reasons of suspicion.

Monitoring Of Transactions

- Scrutinize unusually large transactions like, clients having traded in scrip/shares of a company for a quantity of 20,000 or more in a single day and volume in that scrip of that client is 25% or more of the total volume in that scrip of the Exchange.
- Check trade log for indication of negotiated trades (if any)
- Check for any relation of the client with the company/directors /promoters.
- Check previous trading pattern of the clients in that particular scrip.
- Scrutinize bulk deal transactions by sample check. A 'bulk' deal constitutes transaction in a scrip (on each Exchange) where total quantity of shares bought/sold is more than 0.5% of the number of equity shares of the company listed on the Exchange
- Select randomly few clients and pick their few transactions and scrutinize to check whether they are of suspicious nature or not.
- If substantial increase in turnover in a dormant account is found, should be brought into the notice of the senior management. Review balances and trading in the dormant accounts. Be vigilant on the movement of credit balances of the dormant account.
- Analysis is carried out by RMS to identify clients with huge and regular losses and are still placing trades/orders. Identify the Sources of funds in such cases.
- Analysis be also carried out in respect of disproportionate profit/ loss booked by a client trading in "F&O" segment vis-à-vis the value of the contract in illiquid scrips/ derivatives
- Suspicious transactions to include 'transactions integrally connected' as well as 'transactions remotely connected or related'

Parameters for analyzing the transactions:

- Analysis of top clients in terms of turnover
- On a periodic basis identify top 100 clients on descending order of turnover and ascertain whether the same matches with the financial status of the client. Moreover, analyze whether there is commensurate fund movement, whether the payments are being made, in cheque and from the bank account(s) of the clients registered with AFSPSPL etc. To the extent possible, obtain the latest Income Tax return of the client to ascertain the financial capacity of the client.
- Analysis of top client in terms of increase in turnover
- On a periodic basis identify the top 100 clients, on descending order of increase in turnover over a threshold amount of Rupees One Crore. Then analyze whether the same matches with the financial status of the client, whether there are commensurate funds movement, whether the payments are being made through cheque from the bank account(s) of the client, etc. To the extent possible, we need to obtain the latest Income Tax return of the client to ascertain the level of income of the client.
- Matched trades (where the buy and sell clients are with the same broker) on a daily basis to identify whether there is any buy and sell order from

same/different branches of AFSPL in B1, B2 & group and penny stocks. Further analyze whether the client are indulging in any sort of manipulation like shifting of profits from one account to another, creating artificial volumes, circular trading, indulging in price manipulation, shifting the beneficial ownership of shares, etc.

- Analysis of trades in stocks less than Rs.10/- and beyond a specific quantity.
- On a daily basis analyze the trades done in penny stocks (stocks less than Rs.10/-). This will help us in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc.
- Client concentration in particular scrip or select scrips
- On a periodic basis, ascertain whether any client is concentrating on any particular scrip, especially liquid and penny stocks. This will help in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc. or is having insider information.
- Analysis of trades in illiquid counter (illiquidity can be with reference to the average volume in the scrip over the last 3 months below a particular level)
- A daily analysis of the client's volume with respect to the total traded volume at the exchange has to be done. (TTQ analysis). This will help in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc.
- Trades shifted from one client to another within the same branch/AP/Sub Broker.
- On a daily basis, analyze the details of trade shifted from one client to another, either during the market hours or after the market hours. This will help us in identifying whether the client is trying to hide his identity, indulging in profit/loss transfer, availing exposure while in debit balance, etc.
- Undertake a periodic analysis of the trades executed by NRI/Foreign clients/institutional clients. It should be supplemented by analysis of the payment patterns, trading patterns, etc.
- With respect to the institutions, analyze all the cancelled trades and DVP trades to see whether the institutional code is being misused. In such cases, also ascertain who the ultimate beneficiary of the trades.
- Analysis of client payments in DD, Pay order, cash etc.
- Undertake a periodic analysis of all the payments received from client by way of DD/Pay order. This will help in ascertaining whether any client's DD/ Pay Orders have been purchased against "Cash" or might whether any client is making third party payments. The third party payments can relate to employees also.
- trades undertaken in the employees or sub broker's/APs in their own trading account. It is possible that the employees/sub brokers might be accepting cash from the clients and execute the trades in their account.

Similarly, it is possible that the profit on trades of the clients being shifted to the employees/sub broker's accounts.

- Periodic analysis of change / modification in client details like bank account, demat account, address, etc to identify the clients who are making frequent changes and to ascertain whether the client trying to hide or confuse his identity.

10.3. Role of Sub Brokers / APs Team

Monitoring of Proprietary Transactions of Sub Brokers / APs:

- For scrutiny / back ground check of the Franchisee, websites such as www.watchoutinvestors.com should be referred. Also, Prosecution Database / List of Vanishing Companies available on www.sebi.gov.in
- Check for high volume in proprietary account of Sub Brokers / APs / Sub-broker and his/her relations.
- Scrutinize Demat account of Sub Brokers / APs / Sub Broker (if DP account is with AFSPL DP)
- List all off market transfers and if in doubt seek explanation from concerned Sub Brokers / APs separately
- Check for third party funds (cheques received from bank accounts other than mapped bank accounts and demand drafts / pay orders)

10.4. Role of Human Resource Department

- The Human Resource Department and other Department Heads involved in hiring new employees should have adequate screening procedure in place to ensure high standards in hiring new employees.
- Bona fides of employees are checked to ensure that the employees do not have any link with terrorist or other anti-social organizations.
- Not only Know Your Customer (KYC) policy but also "Know Your Employee" procedures should be in place.
- All employees need to submit self attested copies of all identification documents namely Identity Proof, Address Proof, Photograph, Educational documents and same should be verified with originals by HRD officials under their seal and signatures.

10.5. Role of Sales Team

Being in the field, they have market intelligence about potential mischief makers which should be brought to the notice of Compliance Officer, Legal and RMS Team.

10.6. Role of Legal Department

- KYC forms and other documents drafted should invariably have undertaking from the client that he is not indulging in or has not been associated with any money-laundering activity or terrorist activity and that he has not been convicted of any fraud/offence/ crime by any regulatory authority existing in the country.

- All disclosure documents should have notice to the client informing about company's right to obtain and disclose any information about the client to the competent authority as may be required.

10.7. Role of Training Division

- Briefings to new employees at induction programs and rounds of small meetings and presentations at branch locations.
- Adequate training should be given to all the concerned employees to (a) ensure that the contents of the guidelines are understood and (b) develop awareness and vigilance to guard against money laundering and terrorist financing.
- As of now, AML policy is covered during the induction training given to all new recruits and also during the on-going compliance sessions conducted periodically.

10.8. Role of Internal Audit

This Policy will be reviewed regularly by the Internal Audit Head for its effectiveness since the person reviewing the policy should be different from the person framing the policy.

11. Cash Transactions

As a policy AFSPL do not accept cash against settlement and or margin obligations for dealing in securities. All payments must be received from the clients strictly by account payee crossed cheques drawn in favour of AFSPL Financial Services Pvt Ltd. or through NEFT/RTGS from client's designated bank account only. The same is also required as per SEBI circular no. SMD/ED/IR/3/23321 dated November 18, 1993 and SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003.

In case account payee cheques have been received from a bank account other than the one registered with us, same shall be treated as third party transfer and no credit shall be given to client until the client gets the same updated in our records by submitting a written request alongwith necessary supporting documents.

Only in exceptional cases, bank draft/pay-order may be accepted from the client provided client submits written declaration alongwith bank statement/acknowledged copy of bank pay-in slip/ a certificate obtained from the issuing bank verifying the client's credentials.

12. Suspicious Transactions

All are requested to 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.

12.1. 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 bona fide purpose

Reasons for Suspicious:

a. 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 well -come kit undelivered at the address given by the client

b. Suspicious Background

- Suspicious background or links with criminals

c. 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.

d. 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

e. Nature of Transaction

- Unusual or unjustified complexity
- No economic rationale or Source of funds are 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 manipulations
- Suspicious off market transactions

f. 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

12.2. 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.

12.3. When to Report

In terms of the PMLA rules, brokers and sub-brokers are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) 6th Floor, Hotel Samarat, Chanakyapuri, New Delhi -110021 as per the schedule given below :

Report	Description	Due Date
CTR	All cash transactions of the value of more than Rs.10 Lakhs or its equivalent in foreign currency or	15th day of the succeeding month
CTR	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 have taken place within a month	15th day of the succeeding month
CCR	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	Not later than seven working days from the date of occurrence of such transaction
STR	All suspicious transactions whether or not made in cash	Not later than seven working days from the date of occurrence of such transaction
NTR	Non Profit Organization Transaction Report	Not later than seven working days from the date of occurrence of such transaction

In view of the same, all Concerned Departmental Heads, Branch Heads, APs and Sub Brokers are required to collect information from the Branches/Departments/Sub-brokers under their control/ jurisdiction and submit report on Cash transactions on monthly basis, to Mr Nikhil Raj Gupta, Principle Officer by the 10th day of the following month

and for suspicious transactions within three working days of establishment of such transaction to enable the Principal Officer to report the same to the Director, Financial Intelligence Unit-India (FIU-IND) within the stipulated time.

12.4. Other Important Points

- Reasons for treating any transaction or a series of transactions as suspicious should be recorded. It should be ensured that there is no undue delay in arriving at such a conclusion.
- Utmost confidentiality should be maintained in submitting the information.
- The reports may be transmitted by email/speed/registered post/fax at the Head Office addressed to the Principal Officer.
- No restriction may be put on operations in the accounts where a Suspicious Transaction Report has been made.
- It should be ensured that there is no tipping off to the client at any level. An important element to the success of the AML process is that the customers should not be informed (i.e. tipped off) that his/her accounts are being monitored for suspicious activities and / or that a disclosure has been made to the designated authority namely Financial Intelligence Unit, India. (FIU-IND)

13. Formulation/Review/Training on “The Internal Policy and Procedure” to All Staff /Sub-Brokers / APs

- a. Principle officer and compliance officer shall be responsible for periodic review and updation of Internal Policy and procedures on “The Prevention of Money Laundering Act, 2002”, in the light of latest amendments and regulatory circulars.
- b. This policy and any revision and updates therein shall be communicated to:-
 - o all employees through AFSPL Intranet, internal circulars and during the periodic training programmes.
 - o all Branches/ sub-brokers/ / APs through email and circulars and during periodic training programmes.
- c. Training programmes shall be conducted to apprise Staff and Business Associates about various compliance requirements and Internal Policy and procedures on “The Prevention of Money Laundering Act, 2002” from time to time for effective implementing of specific procedures for customer identification and retaining internal records of transactions.
- d. The Internal Policy shall be placed before the Board, and changes, if any, in the policy are warranted, the revised policy should be placed before the Head for review and approval

14. Record keeping requirements:

Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of five years after the business relationship between a client and AFSPL has ended or the account has been closed, whichever is later.

15. Client`s Sensitization

We need to obtain certain information, from clients which may be personal in nature or has never been called for earlier, for effective Implementation of AML/CFT measures. Such information can include documents evidencing source of funds/income tax returns/bank records etc. which may lead to raising of questions by the client with regard to the motive and purpose of collecting such information.

Dealing staff, therefore need to educate clients about the AML/CFT requirements and for their convenience this policy is made available on company`s website www.adroitfinancial.com.

16. Contact Details of Principal Officer

In case any further information / clarification, the 'Principal Officer' may be contacted at:-

Mr Nikhil Raj Gupta
4th Floor, Angel Mall
Kaushambi
Ghaziabad – 201010
Mobile No. : 9717099475
Email ID : nikhilgupta@adroitfinancial.com