

**ANTI MONEY
LAUNDERING
POLICY
OF
NIRMAL BANG EQUITIES PRIVATE
LIMITED**

This Policy is applicable for all the segments including Cash, Equity Derivatives, and Currency Derivatives Segments of Nirmal Bang Equities Private Limited (NBEPL). NBEPL is the institutional arm of the Nirmal Bang Group.

SEBI Master Circular on Anti Money Laundering (AML and Combating Financing of Terrorism (CFT) - Obligations of Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules Framed there-under (Consolidated up to December 31, 2010) and amended as per latest Circular No. CIR/MIRSD/DOP/CIR/P/2019/113 dated 15th October 2019.

1. Introduction

The Prevention of Money Laundering Act, 2002 (PMLA) was brought into force with effect from 1st July 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on July 01, 2005. Subsequently, SEBI issued necessary guidelines vide circular no. ISD/CIR/RR/AML/1/06 dated January 18, 2006, and vide letter No. ISD/CIR/RR/AML/2/06 dated 20th March 2006 to all securities market intermediaries as registered under Section 12 of the SEBI Act, 1992. The PMLA has been further amended vide notification dated March 6, 2009, and inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as prescribed in Section 12 A read with Section 24 of the Securities and Exchange Board of India Act, 1992 (SEBI Act) will now be treated as a scheduled offense under schedule B of the PMLA. These guidelines were issued in the context of the recommendations made by the Financial Action Task Force (FATF) on anti-money laundering standards. Compliance with these standards by all intermediaries and the country has become imperative for international financial relations.

As per the provision of PMLA, every Member shall have to:

- i. Maintain a record of prescribed transactions, the nature and value of which may be prescribed, whether *such* transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month;
- ii. Furnish information of prescribed transactions to the specified authority, within such time as may be prescribed
- iii. Verify and maintain records of the identity of clients, in such a manner as may be prescribed
- iv. Preserve the records for a period of five years from the date of cessation of transactions with clients.

Such transactions include

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

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

The Guidelines laid down the minimum requirements and it was emphasized that the intermediaries may, according to their requirements, specify additional disclosures to be made by clients to address concerns of Money Laundering and suspicious transactions undertaken by clients.

2. OBJECTIVE

The objective of this policy framework is to:

- Create awareness and provide clarity on KYC standards and AML measures.
- Outline the obligations under PMLA.
- Provide a framework for systems and procedures.
- To prevent criminal elements from using our business for money laundering activities
- To understand the customers and their financial dealings better, which in turn would help the company to manage the risk prudently
- To put in place appropriate controls for detection and reporting suspicious transactions in accordance with applicable laws/ laid down procedures.

3. SCOPE:

This policy and procedures apply to all the employees of NIRMAL BANG EQUITIES PRIVATE LIMITED and all its subsidiaries and are to be read in conjunction with the existing guidelines. The following procedures have been established to ensure that all the employees know the identity of their customers and take appropriate steps to combat money laundering.

4. WHAT IS MONEY LAUNDERING?

Money Laundering may be defined as the cleansing of dirty money obtained from legitimate or illegitimate activities including drug trafficking, terrorism, organized crime, fraud, and many other crimes with the objective of hiding its source and rendering it legally usable form. It is any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources. The process of money laundering involves creating a web of financial transactions to hide the origin and true nature of these funds.

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

The first stage in the process is placement. The placement stage involves the physical movement of currency or other funds derived from illegal activities to a place or into a form that is less suspicious to law enforcement authorities and more convenient to the criminal. The proceeds are introduced into traditional or non-traditional financial institutions or the retail economy.

The second stage is layering. The layering stage involves the separation of proceeds from their illegal source by using multiple complex financial transactions (e.g., wire transfers, monetary instruments) to obscure the audit trail and hide the proceeds.

The third stage in the money laundering process is integration. During the integration stage, illegal proceeds are converted into apparently legitimate business earnings through normal financial or commercial operations. Having identified these stages money laundering process, financial institutions are required to adopt procedures to guard against and report suspicious transactions that occur at any stage.

5. FINANCIAL INTELLIGENCE UNIT (FIU) – INDIA

The government of India set up Financial Intelligence Unit (FIU-INDIA) on November 18, 2004, as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the finance minister. FIU-INDIA 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 the coordination and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

6. POLICY AND PROCEDURES TO COMBAT MONEY LAUNDERING AND TERRORIST FINANCING OF NIRMAL BANG EQUITIES PRIVATE LIMITED

Nirmal Bang Equities Private Limited (NBEPL) has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a framework for identifying, monitoring, and reporting suspected money laundering or terrorist financing transactions to FIU as per the guidelines of PMLA Rules, 2002. Further members shall regularly review the policies and procedures on PMLA and Terrorist Financing to ensure their effectiveness.

Date of Review: 11.03.2022

Prepared by Designated Director – Mr. Deepak Agarwal

Approved by: NBEPL Board

7. IMPLEMENTATION OF THIS POLICY

Mr. Deepak Agarwal, Director is appointed as the Principal Officer, and Mr. Kishorkumar Agarwal is the designated director who is responsible for the provisions of the PMLA and AML Guidelines and acts as a central reference point and plays an active role in the identification & assessment of potentially suspicious transactions. They ensure that NBEPL discharges its obligations to report suspicious transactions to the concerned authorities.

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

- a. Obtain sufficient information to identify persons who beneficially own or control securities accounts. Wherever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should be identified using client identification and verification procedures. The beneficial owner is the natural person or persons on whose behalf a transaction is being

conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

- b. Verify the customer's identity using reliable, independent source documents, data, or information.
- c. Identification of beneficial ownership and control i.e., determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted.
- d. Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted corroborating the information provided in relation to (c).
- e. Conduct ongoing due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's background/financial status, activities, and risk profile.
- f. Understand the ownership and control structure of the client.
- g. Registered Intermediaries shall periodically update all documents, data, or information of all clients and beneficial owners collected under the CDD process and review the same on yearly basis or as and when any new circulars are issued by the SEBI or relative exchanges.

9. The Customer due Diligence Process includes four specific parameters:

- i. Policy for Acceptance of Clients
- ii. Client Identification Procedure
- iii. Suspicious Transactions identification & reporting
- iv. Updation of documents, data, or information of clients /BOs will be done on yearly basis and as and when required.

a) Customer Acceptance Policy:

i. Each client should be met in person:

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

Accept clients whom we are able to meet personally either the client should visit the office/branch, or the concerned official may visit the client at his residence/office address to get the necessary documents filled and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client.

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

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

ii. 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 client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception.

All supporting documents as specified by the Securities and Exchange Board of India (SEBI) are obtained and verified.

iii. Do not accept clients with identity matching persons known to have criminal backgrounds:

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.

The Company shall comply with the provisions of the Government order dated August 27, 2009, for implementation of Section 51A of the Unlawful Activities Prevention Act, 1967.

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

- www.watchoutinvestor.com
- www.sebi.gov.in for prosecution database and vanishing companies' database.
- www.cibil.com
- www.fatf-gafi.org
- 1988-(Taliban)
<https://www.un.org/securitycouncil/sanctions/1988/materials>
- 1267-(Al-Qaida)
https://www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list
- 2140-(Yemen)
<https://www.un.org/securitycouncil/sanctions/2140/materials>
- 1718/2270- (North Korea)
<https://www.un.org/securitycouncil/sanctions/1718/materials>

iv. Be careful while accepting Clients of Special category:

We should be careful while accepting clients of special categories like

- i. Non-Resident clients
- ii. High net-worth clients, *
- iii. Trust, Charities, non-Governmental Organizations (NGOs), and organizations receiving donations.
- iv. Companies having close family shareholdings or beneficial ownership

- v. Politically Exposed Persons (PEP) Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP as contained in the subsequent parts of the circular shall also be applied to the accounts of the family members or close relatives of PEPs.
- vi. Companies offering foreign exchange offerings
- vii. Clients in high-risk countries (like Libya, Pakistan, and Afghanistan, etc) where the existence/effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the following Havens/sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.
- viii. Non-face to face clients
- ix. Clients with dubious reputation as per public information available etc.
- x. persons of foreign origin, companies having closed shareholding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high-risk countries,
- xi. Current/Former Head of State, Current / Former senior high-profile politician, - Or clients from high-risk countries
- xii. Clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc.)

Scrutinize minutely the records/documents pertaining to clients belonging to the aforesaid category. The client of a special category should be categorized as a high-risk client. Member shall closely examine the transaction in order to ensure they are consistent with Client business and risk profile. In the case of the High-risk category due care and caution should be exercised at the acceptance stage itself. The profile of Clients has to be updated regularly.

v. 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.

vi. Do not compromise on submission of mandatory information/ documents:

The 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.

b) Customer Identification Procedure (FOR NEW CLIENTS)

Objective:

To have a mechanism in place to establish the identity of the client along with firm proof of address to prevent the opening of any account which is fictitious / benami / anonymous in nature.

- a) Before opening the accounts, there should have to be personal interaction with the client except in the case of NRIs where the power of attorney holder is the Authorised Dealer Bank.
- b) Before opening the accounts in case of companies any one of the following viz main promoter/ Managing Director/ whole-time director / key management personnel and in the case of partnership firm any one of the active partners should be met in person.
- c) Caution is to be exercised when identifying companies that appear to be 'shell companies' or 'front companies.' Shell/front companies are legal entities that have no business substance in their own right but through which financial transactions may be conducted.
- d) In case of clients acting through Power of Attorneys the principal and agent should come in person for the first time, except where the client is an NRI, and the designated branch of the Authorized Dealer Bank is holding the power of attorney. Photos of both are to be obtained along with signatures on the photos. The KYC Form, Member Constituent Agreement, and the Risk Disclosure Document must compulsorily be signed by the Client himself and not by the POA holder except in the case of NRI clients if the POA holder is the designated branch of the authorized dealer.
- e) Original of un-expired Photo identity of individual/promoter/director to be verified by our official for identifying the client. The signature of the persons should be obtained from the photos. Photocopy of the proof should be taken by our official who should also certify thereon about having verified with the unexpired original.
- f) Special care would be taken in the case of non-individual accounts such as corporate, partnership firms, etc, where the ownership structure is opaque. In all such cases, the accounts would be activated only post approval from the compliance department. For this purpose, "beneficial owner" is the natural person or persons who ultimately own, control, or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement. **(See Annexure 1 for details.)**
- g) Verify originals of the KYC/ ID documents of the client. See "**Annexure 2**" for a list of documents that can be obtained/ relied upon to complete KYC checks.

Member may 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 monitor for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.
- c. 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 regulation and circulars / Guidelines issued by SEBI from time to time. Further, it is clarified that Member shall be ultimately responsible for CDD and undertaking enhanced

due diligence measures as applicable. (SEBI Circular CIR/MISRD/1/2014 dated 12.03.2014).

Money Laundering risk assessments

Risk assessment on money laundering is dependent on the kind of customers the Company deals with. Typically, risks are increased if the money launderer can hide behind corporate structures such as limited companies, offshore trusts, special purpose vehicles, and nominee arrangements.

The Risk Assessment is required in order to assess and take effective measures to mitigate its 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 Resolutions these can be accessed at:

- 1988-(Taliban)
<https://www.un.org/securitycouncil/sanctions/1988/materials>
- 1267-(Al-Qaida)
https://www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list
- 2140-(Yemen)
<https://www.un.org/securitycouncil/sanctions/2140/materials>
- 1718/2270- (North Korea)
<https://www.un.org/securitycouncil/sanctions/1718/materials>

Risk classification

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

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

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

I. High Risk

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

- i. Non-Resident clients
- ii. High net-worth clients, *

- iii. Trust, Charities, non-Governmental Organizations (NGOs), and organizations receiving donations.
- iv. Companies having close family shareholdings or beneficial ownership
- v. Politically Exposed Persons (PEP) Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP as contained in the subsequent parts of the circular shall also be applied to the accounts of the family members or close relatives of PEPs.
- vi. Companies offering foreign exchange offerings
- vii. Clients in high-risk countries (like Libya, Pakistan, and Afghanistan, etc) where the existence/effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the following Havens/sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.
- viii. Non-face to face clients
- ix. Clients with dubious reputation as per public information available etc.
- x. persons of foreign origin, companies having closed shareholding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high-risk countries,
- xi. Current/Former Head of State, Current / Former senior high-profile politician, - Or clients from high-risk countries
- xii. Clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc.)

* High Net worth clients means:

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 a Net worth of **Rs. 10 Crores or more**.

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

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

II. Medium Risk

Client defined in the above category having transaction value **below 10 crore** and those Clients who are mostly intra-day Clients or speculative Clients.

Further based on business directives the clients who maintain running accounts continuously with the company may also be categorized as medium risk clients on a case-to-case basis.

III. Low Risk

All clients not meeting the above criteria are low-risk clients. Further, Clients who make a payment on time and take delivery of shares. They are Individuals/Corporate/HNIs who have respectable social and financial standing. Senior Citizens, Salaried Employees, and a major portion of the client who indulges in delivery-based trading and institutional clients whose trades are settled through custodians 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 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 the 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.

10. Record Keeping

Member shall ensure compliance with the record-keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Byelaws, and Circulars.

All documents & records which are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for the prosecution of criminal behavior shall be maintained.

If there is any suspected drug-related or other laundered money or terrorist property, Member shall retain the following information for the accounts of clients in order to maintain a satisfactory audit trail to facilitate the investigating authorities:

- a. the beneficial owner of the account
- b. the volume of the funds flowing through the account; and

- c. for selected transactions: the origin of the funds; the form in which the funds were offered or withdrawn, e.g., cheques, demand drafts, etc., the identity of the person undertaking the transaction; the destination of the funds; the form of instruction and authority.

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 should 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 thereunder PMLA, other relevant legislation, Rules, and Regulations or Exchange Byelaws or circulars.

In case of transactions where any investigations by any authority have been commenced and in the case of transactions that have been the subject of suspicious transaction reporting all the records shall be maintained till the authority informs of closure of the case. More specifically, Member has put in place a system of maintaining a proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- a. all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency.
- b. 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 monthly aggregate value of such transactions exceeds rupees ten lakh or its equivalent in foreign currency.
- c. all cash transactions were forged, or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place, or a document has taken place facilitating the transactions.
- d. all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

11. Information to be maintained

Member has to maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

- ✓ the nature of the transactions.
- ✓ the amount of the transaction and the currency in which it is denominated.
- ✓ the date on which the transaction was conducted; and iv. the parties to the transaction.

12. Retention of Records:

1. Maintenance of records pertaining to transactions of clients is preserved in a manner that allows easy and quick retrieval of data as and when requested by the competent authority, for a period of five years.
2. Records evidencing the identity of clients and beneficial owners as well as account files and business correspondence shall maintain and preserved for five years after the business relationship between a client and Member has ended or the account has been closed whichever is later. In situations where the ongoing investigations or transactions have been subject to suspicious transactions reporting, they shall be retained until it is confirmed that the case has been closed.

3. Member shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU- IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transactions between the client and the intermediary.
4. Further, the records mentioned in Rule 3 of PMLA Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and intermediary.

13. Monitoring of transactions

1. Member regularly monitors the transactions to identify any deviation in transactions/activity for ensuring the effectiveness of the AML procedures.
2. Member shall pay special attention to all unusually large transactions/patterns which appear to have no economic purpose.
3. The background including all documents/office records /memorandums/clarifications sought to pertain to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records, and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIU-IND/other relevant Authorities, during the audit, inspection, or as and when required. These records are required to be maintained and preserved for a period of five years from the date of the transaction between the client and intermediary as is required under the PMLA.

14. Suspicious Transactions

Intermediaries are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. Suspicious transactions shall also be regularly reported to the higher authorities within the intermediary. Intermediaries shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting.

It should be ensured that there is no undue delay in analysis and arriving at a conclusion. While determining suspicious transactions, intermediaries shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time. Indicative types of Suspicious Transactions, Abandoned Transactions, TAT for reporting Suspicious Transactions, and additional due diligence for transactions from clients from high-risk countries are also given in the SEBI circular.

a) What is a Suspicious Transaction?

Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or appears to be made in circumstance of unusual or unjustified complexity or appears to have no economic rationale or bonafide purpose.

i. Reasons for Suspicious:

- Identity of client
 - ✓ False identification documents
 - ✓ Identification documents which could not be verified within a reasonable time
 - ✓ Nonface to face client
 - ✓ Clients in a high-risk jurisdiction
 - ✓ Doubt over the real beneficiary of the account
 - ✓ Accounts opened with names very close to other established business entities
 - ✓ Receipt back of welcome kit undelivered at the address given by the client
 - ✓ Suspicious background or links with criminals

- Suspicious Background
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- Multiple Accounts
 - ✓ A large number of accounts having a common parameter such as common partners/directors/promoters/address/ email address/telephone numbers introducer or authorized signatory
 - ✓ Unexplained transfers between such multiple accounts.

- Activity in Accounts
 - ✓ Unusual activity compared to past transactions
 - ✓ Use of different accounts by client alternatively
 - ✓ Sudden activity in dormant accounts
 - ✓ Activity inconsistent with what would be expected from declared business
 - ✓ Account used for circular trading

- Nature of Transactions
 - ✓ Unusual or unjustified complexity
 - ✓ No economic rationale or bonafide purpose
 - ✓ Source of funds is doubtful
 - ✓ Appears to be the case of insider trading
 - ✓ Purchases made on own account transferred to a third party through off-market transactions through DP account
 - ✓ Transactions reflect likely market manipulation
 - ✓ Suspicious off-market transactions

- Value of Transactions
 - ✓ Value just under the reporting threshold amount in an apparent attempt to avoid reporting
 - ✓ Large sums being transferred from overseas for making payments
 - ✓ Inconsistent with the client's apparent financial standing
 - ✓ Inconsistency in the payment pattern by the client
 - ✓ Block deal which is not at market price or prices appear to be artificially inflated/deflated

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

Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an order dated August 29, 2009, detailing the procedure for the implementation of Section 51A of the UAPA.

Under the aforementioned Section, 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, any other person engaged in or suspected to be engaged in terrorism. 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. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order have been issued vide SEBI Circular ref. no. ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously.

Accordingly, SEBI has issued circular ref.no. SEBI/HO/MIRSD/DOP/CIR/P/2021/36 dated March 25, 2021, outlines a revised and effective implementation of the provisions of Section 51A through an order dated February 02, 2021, superseding the earlier orders and guidelines given on the said subject.

c) Policy on Identifying and Reporting suspicious transactions:

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

Further, no nil reporting shall be made if there are no Cash / Suspicious / Non - Profit organization transactions.

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

1. Payment for Pay-out to all the clients will be only through cheque. No cash payments are to be entertained under any circumstances.
2. All third-party cheques to the credit of the client account irrespective of the amount.
3. All payments made either by way of Demand Draft / Cheques / Money Transfer/Funds Transfer in foreign currencies irrespective of the amount. In the case of DD, it should be accompanied by the letter of the bank in case of some unavoidable situation.
4. Deliveries/Payment made through us for more than 250% of the last 3 months average.
5. To discourage the manipulation relating to the financial strength, we have started the provision of updating the financial statements of the clients annually and this is the ongoing procedure.

d) 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 for suspicion.

There shall not be any restrictions on operations in the accounts where an STR or NTR has been made. Member and their directors, officers, and employees (permanent and temporary) shall be prohibited from disclosing (“tipping off”) the fact that an STR or NTR or related information is being reported or provided to the FIU-IND.

This prohibition on tipping off extends not only to the filing of the STR/ NTR and/or related information but even before, during, and after the submission of an STR/NTR. Thus, it shall be ensured that there is no tipping off to the client at any level.

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

15. Rights & Power of Principal officer

1. Overall monitoring & implementation of the company’s KYC/AML/CFT policy and to make changes/amendments in the PMLA/CFT policy of NBEPL from time to time along with the requirement of Record Keeping, retention, monitoring, and reporting.
2. To ask details related to ultimate beneficiary ownership/person controls securities account/POA Holder /Nominee in case it seems to be suspicious.
3. To ask the specific nature of its business organizational structure, income details, and its way and about the nature of the transaction, etc of its clients and its business-related entities.
4. To verify the customer identity and to refuse in opening any trading account if client acceptance policy has not been met or the Client has not fulfilled his due diligence measures, including requirements for proper identification and in-person verification or in the case where the client account has been opened in Benami name. The same refusal can be applied also based on clients’ location (registered office address, correspondence addresses, and other addresses if applicable), nature of the business activity, trading turnover, etc., and manner of making payment for transactions.
5. Conduct of necessary checks and balances to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide. Special checks and permission for clients of the special category (CSC) and transaction-related to foreign exchange transaction-related entities.
6. Verification and denial in taking the person as a client if the person is in the updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services, etc., as approved by the Security Council committee established pursuant to various United Nations Security Council Resolutions (UNSCRs) from the website.

7. To perform ongoing scrutiny of the transactions and accounts throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the NBSPL's knowledge of the client, its business and risk profile, and the client's source of funds.
8. Stopping the business of Intermediary in case of manipulation at its end or in providing any support to a client who is engaged in any kind of manipulative trading. To approve or disapprove the mode of payment opted by the client, especially in case of Cash, Demand draft, pay order, or any other mode which seems to be suspicious or crossing any regulatory limits defined.
9. Immediately stopping of Pay-in or Pay-out of funds/Securities or both if by any means the suspicious Trading pattern /wrong account information or other details has been observed.
10. Monitoring, investigation, and taking action against all suspicious transactions (transactions integrally connected', 'transactions remotely connected or related) whether or not made in cash and including, inter-alia, credits or debits into from any nonmonetary account such as Demat account, security account maintained by NBEPL.
11. In handling and reporting of transactions {Cash Transaction Reports (CTRs), Suspicious Transaction Reports (STRs), Non - Profit Organisation Transaction Report (NTRs) and Counterfeit Currency Reports (CCRs)} and sharing of information/details, as required under the law in an independent manner and Cooperation with the relevant law enforcement authorities, including the timely disclosure of information. In addition to this the maintenance of utmost confidentiality in the filing of CTR, STR, and NTR to FIU-IND.
12. Dealing with regulators like SEBI, FIU-INDIA, or any other law enforcement agency including ministries that are involved in the fight against money laundering and combating the financing of terrorism.
13. In defining the role of Internal Audit/Compliance function to ensure compliance with policies, procedures, and controls relating to the prevention of money laundering and terrorist financing, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff of their responsibilities in this regard.
14. In the conduct of any Programme/Seminar/Presentation etc. for the training of the Staff, Registered Intermediary with NBSPL and any other person in connection to the NBEPL to increase awareness and vigilance to guard against money laundering and terrorist financing.

POLICY WITH RESPECT TO EMPLOYEES' HIRING/TRAINING & INVESTOR EDUCATION

Policy on Hiring of key Employees:

Staffs who deal directly with the public are the first point of contact with potential money launderers. Their efforts are therefore vital to the reporting system for such transactions. Staff should keep abreast of the practices to identify suspicious transactions and on the procedure to be adopted when a transaction is deemed to be suspicious. In short, employees must familiarize themselves with their customers' normal trading activities and usual market practices in order to recognize anomalous behavior. Suspicions concerning the source of assets, or the nature of a transaction may not be ignored.

It is the active responsibility of every person at the company to seek to ensure that the firm's facilities are not being misused.

At the time of screening key employees in the Company, the HR personnel should make sure that the key employees must be made aware of the AML/CFT requirement at the time of joining the organization and at such other time as they deem fit to ensure that key employees* shall perform & discharge their duties efficiently and effectively to combat the risk of money laundering which is considered to be a prominent area/aspect in an industry in which the company operates.

*Key employees are employees as per the list maintained by HR personnel from time to time.

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 the 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.

Policy on Investor Education:

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

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

Surveillance in sync with AML

We have a surveillance department that works in tandem with compliance and RMS and normally takes care of all the activities of clients, branches, remisiers, sub-brokers, and other concerned persons of the organization who are in access of any kind of information or are in any way related to the firm. We constantly monitor the activity that destroys the fair and orderly movement of the market and/or involved in suspicious transactions.

Co-operation with statutory authorities

Employees shall provide all requisite co-operation and assistance to the relevant statutory authorities, including the Securities and Exchange Board of India ("SEBI") and shall comply with all lawful instructions that may be issued by such authorities from time to time. In the event of the

Employees receiving any summons, requests, notices, or demands from SEBI, income-tax or other statutory authorities or being named parties in any legal proceeding, whether in their personal capacity or otherwise, they shall forthwith inform the Designated Officer in writing of the same and furnish all details as may be required by the Designated Officer in this behalf.

Review of Policy

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

Designated Principal Officer

In case any further information / Clarification is required in this regard, the principal officer may be contacted.

Mr. Deepak Agarwal

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Annexure forming part of KYC policy & Prevention of Money Laundering Policy

ANNEXURE 1

Sr. No	Nature of Client	BO Identification Criteria
1	a person other than an individual or trust, viz., the company, partnership, or unincorporated association/body of individuals	<p>a) The identity of the natural person, who, whether acting alone or together or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest**</p> <p>b) In cases where there exists doubt under clause (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means. Explanation: Control through other means can be exercised through voting rights, agreement, arrangements, or in any other, manner.</p> <p>c) Where no natural person is identified under clauses (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official.</p>
2	For client which is a trust:	Where the client is a trust, the COMPANY shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.
3	Exemption in case of listed companies:	Where the client or the owner of the controlling interest is a company listed on a stock exchange or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
4	Applicability for foreign investors:	Intermediaries dealing with foreign investors viz. Foreign Institutional Investors, Sub Accounts, and Qualified Foreign Investors may be guided by the clarifications issued vide SEBI circular

CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client.

The provisions of this circular shall come into force with immediate effect.

****Explanation:** Controlling ownership interest means ownership of / entitlement to:

- a) More than 25% of shares or capital or profits of the juridical person, where the juridical person is a company
- b) More than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- c) More than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

X-X-X-X-X

ANNEXURE – 2

Documents which can be relied upon:

- **PAN Card:** PAN Card is mandatory and is the most reliable document as it is unique to each individual and is valid for the lifetime of the holder and we can independently check its genuineness through IT Websites.
- **Identity Proof:** PAN Card itself can be served as proof of Identity. However, in the case of PAN card carries an old photograph of the holder, which does not match the current facial features of the client, we should take other identity proof in form of a Voter's identity card, Passport, Ration Card, or any Government / PSU / Bank issued photo identity card / Aadhaar Card.
- **Address Proof:** For Valid address proof, we can rely on the Voter's Identity Card, Passport, Bank Statement, Aadhaar Card, Ration Card, and the latest Electricity/telephone bill in the name of the client. The utility bill should be not more than three months old while entering into a relationship with the clients.

Documents to be obtained as part of the customer identification procedure for new clients (unexpired Original should be verified):

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

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

⇒ Credit cards/Debit cards issued by Banks

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

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

- ⇒ Passport
- ⇒ Voters Identity Card
- ⇒ Ration Card
- ⇒ Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance Copy.
- ⇒ Utility bills like Telephone Bill (only landline), Electricity bill or Gas bill - Not more than 3 months old.
- ⇒ Bank Account Statement/Passbook -- Not more than 3 months old.
- ⇒ Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
- ⇒ Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-operative Bank/Multinational Foreign Banks/Gazetted Officer/Notary Public/Elected Representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.
- ⇒ For FII/sub-account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or apostilled or consularised) that gives the registered address should be taken.
- ⇒ The proof of address in the name of the spouse may be accepted

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

Types of entity	Documentary requirements
Corporate	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Copy of latest shareholding pattern including the list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole-time Director/MD (to be submitted every year). • Photograph, POI, POA, PAN, and DIN numbers of whole-time directors/two directors in charge of day-to-day operations. • Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly. • Copies of the Memorandum and Articles of Association and certificate of incorporation. • Copy of the Board Resolution for investment in the securities market. • Authorized signatories list with specimen signatures.
	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year).

Partnership firm	<ul style="list-style-type: none"> • Certificate of registration (for registered partnership firms only) • Copy of partnership deed. • Authorized signatories list with specimen signatures. • Photograph, POI, POA, PAN of Partners.
Trust	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate of registration (for registered trust only). • Copy of Trust deed. • List of trustees certified by managing trustees/CA. • Photograph, POI, POA, PAN of Trustees.
HUF	<ul style="list-style-type: none"> • PAN of HUF. • Deed of declaration of HUF/ List of coparceners. • Bank pass-book/bank statement in the name of HUF. • Photograph, POI, POA, PAN of Karta.
Unincorporated Association or a Body of Individuals	<ul style="list-style-type: none"> • Proof of Existence/Constitution document. • Resolution of the managing body & Power of Attorney granted to transact business on its behalf. • Authorized signatories list with specimen signatures.
Banks/Institutional Investors	<ul style="list-style-type: none"> • Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years. • Authorized signatories list with specimen signatures.
Foreign Institutional Investors	<ul style="list-style-type: none"> • Copy of SEBI registration certificate. • Authorized signatories list with specimen signatures.
Army/Government Bodies	<ul style="list-style-type: none"> • Self-certification on letterhead. • Authorized signatories list with specimen signatures.
Registered Society	<ul style="list-style-type: none"> • Copy of Registration Certificate under Societies Registration Act. • List of Managing Committee members. • Committee resolution for persons authorized to act as authorized signatories with specimen signatures. • A true copy of Society Rules and Bye-Laws certified by the Chairman/Secretary.

C. List of people authorized to attest the documents:

1. Notary Public, Gazetted Officer, Manager of a Scheduled Commercial/ Co-operative Bank or Multinational Foreign Banks (Name, Designation & Seal should be affixed on the copy).

2. In the case of NRIs, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy /Consulate General in the country where the client resides are permitted to attest the documents.

D. In case of an NRI account – Repatriable / non-repatriable, the following documents are required: For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), a copy of passport/PIO Card/OCI Card and overseas address proof is mandatory.

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

F. Periodical statement i.e. quarterly (of accounts should be sent to the client (and not power of attorney holder) at his address mentioning that if he does not respond within 30 days of the date of receipt of the letter, the contents shall be taken as approved.