

PREVENTION OF MONEY LAUNDERING POLICY

AJMERA ASSOCIATES LIMITED

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BACKGROUND

SEBI has issued necessary directives vide circulars from time to time, covering issues related to Know Your Client (KYC) norms, Anti-Money Laundering (AML), Client Due Diligence (CDD) and Combating Financing of Terrorism (CFT). The Prevention of Money Laundering Act, 2002 (the "PMLA") has been brought into force with effect from 1st July 2005 by the Department of Revenue, Ministry of Finance, and Government of India. The Directives given by SEBI are intended for the use primarily by intermediaries registered under Section 12 of the SEBI act 1992.

The overriding principle is that the intermediaries should be able to satisfy themselves that the measures taken by them are adequate, appropriate and abide by the spirit of such measures and the requirements as enshrined in the PMLA. The PMLA has been further amended vide notification dated March 06, 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 12A read with Section 24 of the SEBI Act 1992 will now be treated as a scheduled offence under Schedule B of PMLA.

On 06th June, 2024 a master circular no SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2024/78 and SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/90 dated 17th June, 2025 consolidating all the requirements/ instructions has been issued by SEBI which supersedes all the earlier circulars. As per the provisions of the PMLA , every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India (SEBI) Act, 1992) shall have to adhere to client account opening procedure and maintain a record of all such transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. Such transactions include:

- (a) all cash transactions of the value of more than Rs. 10,00,000/- (Rupees Ten Lakhs only) or its equivalent in foreign currency
- (b) all series of cash transactions integrally connected to each other which have been valued below Rs. 10,00,000/- (Rupees Ten Lakhs only) or its equivalent in foreign currency where such series of transactions take place within one calendar month and the aggregate value of such transactions exceeds Rs. 10,00,000/- (Rupees Ten Lakhs only) and
- (c) all suspicious transactions whether or not made in cash and including inter alia credits or debits into from any non-monetary account such as demat account, security account maintained by the registered intermediary.

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

This policy will be subject to changes in order to incorporate further directives that SEBI may give vide its circulars on PMLA, from time to time.

The Guidelines laid down the minimum requirements and it was emphasised 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.

MONEY LAUNDERING

Money laundering is the process by which criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal/illegal activities. The term “Money Laundering” is also used in relation to the financing of terrorist activity (where the funds may, or may not, originate from crime). It is a process of making dirty money clean. Money is moved around the financial system again and again in such manner that its origin gets hidden. Money generated from illegitimate source is converted into that derived from legitimate source.

The PMLA states that “Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money-laundering.” Failure to understand and deal with money laundering can lead to significant (a) Regulatory risk (b) Reputation risk (c) Litigation risk and d) Operational risk.

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, analysing, and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordination and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

OBJECTIVE

The objective of this policy is to:

- a. Create awareness and provide clarity on KYC standards and AML measures;
- b. To prevent company from being used, intentionally or unintentionally, by criminal elements for money laundering activities;
- c. To have a proper Customer Due Diligence (CDD) process before registering clients.
- d. To monitor and report suspicious transactions;
- e. To monitor / maintain records of all cash transactions of the value of more than Rs. 10,00,000/- (Rupees Ten Lakhs only);
- f. To monitor / maintain records of all series of integrally connected cash transactions within one calendar month.
- g. To discourage and identify money laundering or terrorist financing activities.
- h. To take adequate and appropriate measures to follow the spirit of the PMLA.

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VISION

The Company 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 suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002 and as prescribed by SEBI vide its Circular No. SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated July 04, 2018.

Compliance team review & update this policy on time to time basis based on the circular issued by regulator in consultation with Principal Officer. These policies and procedures apply to all employees of the Company and are to be read in conjunction with the existing guidelines.

OBLIGATION TO ESTABLISH POLICIES AND PROCEDURES

Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that all intermediaries ensure the fulfilment of the aforementioned obligations. To be in compliance with these obligations, the senior management of a registered intermediary shall be fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The Registered Intermediaries shall:

- (a) Issue a statement of policies and procedures, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements;
- (b) Ensure that the content of these Directives are understood by all staff members;
- (c) Regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures;
- (d) Adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF;
- (e) Undertake client due diligence (“CDD”) measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction;
- (f) Have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- (g) Develop staff member’s awareness and vigilance to guard against ML and TF

CUSTOMER DUE DILIGENCE

Before registering client, obtain Antecedent information. Verify independently information submitted by client but not limited to his identity, registered office address, correspondence address, contact details, occupation, Promoters/Directors, source of income, experience in

securities market, PAN no, SEBI registration Number, (if any), MAPIN Number (if any) etc, by verification or original documents or such related processes.

Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. 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 shall be identified using client identification and verification procedures.

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

Each registered intermediary shall adopt written procedures to implement the anti money laundering provisions as envisaged under the PMLA. Such procedures shall include interalia, the following three specific parameters which are related to the overall 'Client Due Diligence

PROCESS :

- a. Policy for acceptance of clients
- b. Procedure for identifying the clients
- c. Transaction monitoring and reporting especially Suspicious.

Conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

1. NEW CUSTOMER ACCEPTANCE PROCEDURES ADOPTED INCLUDE FOLLOWING PROCESSES:

An 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 Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) Can be accessed in the United Nations website at <https://press.un.org/en/content/press-release>.

The details of the lists are as under:

http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml (updated ISIL (Da'esh) & AlQaida Sanctions List which includes names of individuals and entities associated with the Al-Qaida) and <http://www.un.org/sc/committees/1988/list.shtml> (Taliban Sanctions List). ii. Entities linked to Democratic People's Republic of Korea www.un.org/securitycouncil/sanctions/1718/press-releases. Updated list should be obtained from the web-links from time to time. Also list should be updated based on circulars received from Exchanges, Depositories and SEBI from time to time.

Before opening any new account, it will be ensured that the name/s of the proposed customer does not appear in the list. Further, continuously scan all existing accounts to ensure that no

securities market, PAN no, SEBI registration Number, (if any), MAPIN Number (if any) etc, by verification or original documents or such related processes.

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Before opening any new account, it will be ensured that the name/s of the proposed customer does not appear in the list. Further, continuously scan all existing accounts to ensure that no

account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list should immediately be intimated to SEBI and FIU-IND.

- a) Customer identification and verification depending on nature /status of the customer and kind of transactions that are expected by the customer. Also, at the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship.
- b) One certified copy of an 'officially valid document'(OVD) containing details of his identity and address, one recent photograph and such other documents including in respect of the nature of business and financial status of the client, OVD includes:
 - i. The passport,
 - ii. the driving license,
 - iii. proof of possession of Aadhaar number,
 - iv. the Voter's Identity Card issued by Election Commission of India,
 - v. job card issued by NREGA duly signed by an officer of the State Government and
 - vii. the letter issued by the National Population Register containing details of name, address, or any other document as notified by the Central Government in consultation with the Regulator.
- c) PML Rules allows an investor to submit other OVD instead of PAN, however, in terms of SEBI circular MRD/DOP/Cir- 05/2007 dated April 27, 2007 the requirement of mandatory submission of PAN by the investors for transaction in the securities market shall continue to apply.
- d) The RI shall forward the KYC completion intimation letter through registered post/speed post or courier, to the address of the investor in cases where the investor has given address other than as given in the OVD. In such cases of return of the intimation letter for wrong / incorrect address, addressee not available etc., no transactions shall be allowed in such account and intimation shall also sent to the Stock Exchange and Depository.
- e) Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and
- f) Circulars issued by SEBI from time to time.
- g) False / incorrect identification of documents
- h) Client should remain present for registration personally
- i) Compliance with guidelines issued by various regulators such as SEBI, FIU, RBI etc.
- j) Establishing identity of the client, verification of addresses, phone numbers and other details.
- k) Obtaining sufficient information in order to identify persons who beneficially own or control the trading account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by entity other than the client
- l) Verification of the genuineness of the PAN provided by the client such as comparing with original

- m) Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c);
- n) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

PAN, CHECKING DETAILS ON THE INCOME TAX WEBSITE ETC

- a) Checking original documents before accepting a copy.
- b) Asking for any additional information as deemed fit on case to case basis to satisfy about the Genuineness and financial standing of the client.
- c) Whether the client has any criminal background, whether he has been at any point of time been associated in any civil or criminal proceedings anywhere.
- d) Checking whether at any point of time he has been banned from trading in the stock market. And
- e) In all other cases, verify identity while carrying out:
 - i. Transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or
 - ii. Any international money transfer operations.

(1 A) Identify the beneficial owner and take all reasonable steps to verify his identity.

(1 B) Ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that the same is consistent with knowledge of the customer, his business and risk profile.

(1 C) Member shall keep any anonymous account or account in fictitious names.

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

We 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.

Provided such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.

Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time.

2. FOR EXISTING CLIENTS PROCESSES INCLUDE:

- a) Review of KYC details of all the existing active clients in context to the PMLA 2002 requirements.
- b) Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc for closer monitoring of high risk categories.

- c) Obtaining of annual financial statements from all clients, particularly those in high risk categories.
- d) In case of non individuals client additional information about the directors, partners, dominant promoters, and major shareholders is obtained.

WRITTEN ANTI MONEY LAUNDERING PROCEDURES:

Each registered intermediary shall adopt written procedures to implement the anti money laundering provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following three specific parameters which are related to the overall 'Client Due Diligence'

RISK BASED APPROACH

Client Categorization:

AAL has to put in place parameters to categories the clients into high, medium and low risk clients. Given below are the parameters for risk categorization of clients:

High Risk Clients:

The sub brokers/officials of the company may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk clients, especially those for whom the sources of funds are not clear. The examples of clients requiring higher due diligence may include:

- Non Resident Indians. High Net worth Individuals
- Trust, Charities, NGOs and organizations receiving donations. Politically Exposed Persons of foreign origin.
- Firms with 'Sleeping Partners'
- Current and former head of state, high profile politicians and connected persons (immediate family, close advisors and companies in which such individuals have interest or significant influence.)
- Companies offering foreign exchange offerings. Clients in high risk countries.
- Non face to face customers.
- Clients with dubious reputation as per public information available etc having Criminal backgrounds.
- Clients engaged directly or indirectly in cryptocurrency or virtual digital asset (VDA) transactions.
- Clients operating entirely through digital or fintech platforms, without face-to-face verification at any stage.
- Clients engaging in cross-border transactions, particularly with jurisdictions identified by the Financial Action Task Force (FATF) as high-risk or non-cooperative.
- Entities associated with emerging digital asset businesses or unregulated financial services and platforms.

For such high-risk clients, the company shall undertake enhanced due diligence, which will include obtaining detailed information and documentation relating to source of funds, purpose of transactions, and beneficial ownership structure. Management approval shall be required

before opening any such accounts. The company shall monitor these accounts on a daily basis using automated systems to identify unusual or suspicious patterns.

Periodic re-verification of identity and financial information shall be carried out annually or at more frequent intervals, as deemed necessary, to ensure that the client profile remains up-to-date and consistent with the nature of activity observed.

We do following additional due diligence with respect to high and medium risk clients as compare to low risk clients.

Approval of management required at the time of opening of such high risk/ medium risk account.

Trading pattern is observed ongoing basis.

Extra due diligence are carried out while accepting fund and securities from such high risk/ medium risk account.

Annual financial updation letters are obtained from clients

In case if the client falls under SEBI debarred list after registration necessary action taken as per our PMLA policy.

We also check the income of the client vis-à-vis the trading pattern and its turnover.

Medium Risk Clients:

Clients that are likely to pose a higher than average risk to the company may be categorized as medium or high risk depending on client's trading preference, client's background, nature and location of activity, country of origin, sources of funds and his client profile etc; such as:

- Person who execute trades in F&O segment of the Exchange are termed as Medium risk Clients.
- Persons in business/industry or trading activity where the area of his residence or place of business has a scope or history of unlawful trading/business activity.
- Where the client profile of the person/s opening the account, according to the perception of the branch is uncertain and/or doubtful/dubious.
- Clients having close family shareholdings or beneficial ownership.
- Clients whose cheques have been dishonored 3 times or more in the last 30 days.

Low Risk Clients:

Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile and their financials declared be categorized as low risk. Also who makes payment/delivery in time and follow the norms established by regulators and company. The illustrative examples of low risk clients could be salaried employees whose salary structures are well defined, people belonging to lower economic level of the society whose accounts show small balances and low turnover, Government Departments and Government owned companies, regulators and statutory bodies etc. In such cases, only the basic requirements of verifying the identity and location of the client shall be met.

CLIENTS OF SPECIAL CATEGORY (CSC)

AAL will always identify clients of special category which includes Institutional, NRI, High Net worth clients, Trusts, Charities, Non-Government Organization, Companies having close family shareholdings, politically exposed persons, Companies offering foreign exchange offering, clients residing in high risk countries or countries active in narcotics productions etc, Non face to face clients and clients with dubious reputation as per public information available.

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

Under section 51A of Unlawful Activities (Prevention) Act, 1967, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. 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.

In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND and on receipt of this information after verification, Ajmera Associates Ltd. shall act immediately on the same.

Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person

Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to the concerned stock exchanges/depositories and registered intermediaries. The stock exchanges/depositories and registered intermediaries shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 5(ii) above within two working days. The Joint Secretary (IS-I), MHA, being the nodal officer for (ISI) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned stock exchanges, depositories and registered intermediaries. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working Days, the nodal officer of IS-I Division shall inform the applicant.

CLIENT IDENTIFICATION PROCEDURE

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

Following requirements while putting in place a Client Identification Procedure (CIP)

- a. Appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPS. Further, the enhanced CDD measures as outlined shall also be applicable where the beneficial owner of a client is a PEP.
- b. Required to obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, registered intermediary shall obtain senior management approval to continue the business relationship.
- c. Also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP”.
- d. The client shall be identified by using reliable sources including documents/ information. The intermediary shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- e. The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.
- f. Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the intermediary
- g. E-mail ID provided by the Client shall be verified by sending test mail and if e-mail is not delivered or bounced, correct e-mail ID shall be obtained from the client.
- h. Phone number provided by the Client shall be verified by calling on that number to verify whether phone number belongs to Client. If phone number is incorrect or does not belong to client correct phone number shall be obtained.
- i. Identification of Beneficial Owner

The Member shall take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are.

Further, SEBI Vide its circular no. CIR/MIRSD/2/2013 dated 24/01/2013 has provided guidelines for identification of Beneficial Ownership. Accordingly following guidelines shall be adhered while opening account of non-individual clients.

- i. For Clients other than Individuals or Trusts:

I.e. Company, partnership or unincorporated association/body of individuals

In this type of category, Member should identify beneficial ownership and verify the identity of such person through following information.

1. Identification of Natural persons who has a controlling ownership interest
 - a. In Case of Company -à Ownership/Entitlement of more than 10% of Shares or Capital or Profits
 - b. In case of Partnership à Ownership/Entitlement of more than 15% of Capital or Profits
 - c. In case of Unincorporated association or body of individual - Ownership/Entitlement of more than 15% of property or Capital or Profits
2. In case where there exist doubt under above identification point 1, regarding controlling ownership, member shall identify control through means viz.
 - a. Voting Rights
 - b. Agreements
 - c. Arrangements or any other manner
3. If, No person is identified under above identification Point 1 & 2, the identity of the relevant natural person who holds the position of senior managing official.

ii. For Client which is a Trust:

In case of Trust, Member shall identify beneficial ownership through

- The identity of settler of Trust
- The Trustee
- The Protector
- The Beneficiaries with 15% or more interest in trust
- Any other person having ultimate control over trust through chain of control or ownership.

iii. 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.

iv. Applicability for Foreign Investors:

In case of 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 which clarifies that;

- A. Though it is not mandatory, the intermediaries shall carry out due diligence as per the PMLA and SEBI Master Circular on AML about the financial position of the Foreign Investors.
- B. List of beneficial owners with shareholding or beneficial interest in the client equal to or above 10% to be obtained. If Global Custodian /Local Custodian provide an undertaking to submit these details, then intermediary may take such undertaking only. Any change in the list to be obtained based on risk profile of the client.

The company shall comply with all applicable guidelines issued by **National Securities Depository Limited (NSDL)** and **Central Depository Services (India) Limited (CDSL)** to ensure uniformity and regulatory adherence in its operations as a depository participant and intermediary.

The latest applicable circulars are:

- **NSDL Master Circular – March 2025**
- **CDSL Master Circular – August 2023**

These circulars provide comprehensive instructions covering:

- **Updated KYC documentation requirements**, including acceptance of digital KYC and Aadhaar-based verification in accordance with SEBI norms.
- Implementation of **e-KYC processes and secure verification methods** for client onboarding.
- Guidelines governing the use of **digital signatures** for account opening and transaction authorizations.
- Procedures relating to **pledge and re-pledge of securities**, ensuring transparency and compliance with SEBI rules.

The company shall regularly review these circulars and integrate any changes into its operational framework. Periodic internal audits shall be conducted to confirm adherence to NSDL and CDSL guidelines and to ensure readiness for inspections by SEBI and other regulatory bodies.

RECORD KEEPING

We 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, Bye-laws 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 prosecution of criminal behaviour shall be maintained. If there is any laundered money or terrorist property, we 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 etc.

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 there-under PMLA, other relevant legislations, Rules and Regulations or bye-laws or circulars.

In case of transactions where any investigations by any authority has been commenced and in the case of transactions which 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 (a) All cash transactions of the value of more than Rs. 10,00,000/- (Rupees Ten Lakhs only) or its equivalent in foreign currency; (b) all series of cash transactions integrally connected to each other which have been individually valued below Rs. 10,00,000/- (Rupees Ten Lakhs only) or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of Rs. 10,00,000/- (Rupees Ten Lakhs only) or its equivalent in foreign currency; (c) 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; (d) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

As per the updated regulatory requirements, the cash transaction threshold remains at ₹10,00,000 (Rupees Ten Lakhs only). However, all Cash Transaction Reports (CTRs) and Suspicious Transaction Reports (STRs) are now required to be reported electronically through the FIU-IND FINnet portal or any other digital platform approved by FIU-IND and SEBI. Physical reporting of these transactions is no longer permitted.

CTRs must be generated on a monthly basis and submitted electronically to FIU-IND by the 15th day of the following month. STRs must be filed within seven (7) working days from the date of detecting a suspicious transaction. The date of detection will be considered the day when the internal compliance team determines, on the basis of available facts, that a particular transaction or pattern of transactions is suspicious in nature.

For clients who are foreign nationals or entities, reporting under FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard) shall also be carried out in accordance with SEBI and RBI guidelines. The company shall ensure that proper audit trails are maintained for all reports submitted, with strict access control and confidentiality measures in place to protect sensitive information.

RETENTION OF RECORDS

The records of documents shall be maintained and preserve evidencing the identity of the clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for minimum period as prescribed by PMLA and SEBI Act. Records relating to ongoing investigations to be retained after the business relationship between a client and have ended or the account has been closed, whichever is later.

Records of information reported to the Director, Financial Intelligent Unit- India (FIU – IND): shall be maintained and to be 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 minimum period as prescribed under PMLA and SEBI Act from the date of the transaction between the client and the intermediary.

TRANSACTION MONITORING AND REPORTING OF SUSPICIOUS TRANSACTIONS

1. All suspicious transactions will be reported to FIU. Member and its employees shall keep the fact of furnishing information in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 strictly confidential.
2. All Suspicious Transaction Reports (STRs) will be filed only through the FIU-IND FINnet portal in digital format, as mandated by FIU-IND. Physical or paper submissions of STRs will not be accepted under the updated framework.
3. All STRs will be submitted within seven (7) working days of detecting a suspicious transaction. For the purpose of this policy, the date of detection shall mean the day when the Principal Officer or compliance team, after internal review, concludes that a transaction, series of transactions, or client behavior meets the criteria of suspicion as per the PMLA Rules and SEBI guidelines.
4. All employees are required to immediately report any suspicious activity to the Principal Officer. The Principal Officer shall conduct a detailed review and, where necessary, seek approval from senior management before filing the STR on the FINnet portal.
5. Confidentiality of STR filing is of paramount importance. Under no circumstances should the existence of an STR or the fact that a transaction has been reported be disclosed to the client or to any other unauthorized person. Any external requests for such information must be referred to FIU-IND or relevant regulatory authorities directly. All STR-related records shall be stored securely and confidentially, accessible only to the Principal Officer and authorized compliance personnel.
6. The background including all documents/office records /memorandums/clarifications sought pertaining 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 should be made available to auditors and also to SEBI /Stock Exchanges/FIU-IND/Other relevant Authorities, during audit, inspection or as and when required. These records are required to be preserved for ten years as is required under PMLA 2002.
7. The Principal Officer and related staff members shall have timely access to customer identification data and other CDD information, transaction records and other relevant information. The Principal Officer shall have access to and be able to report to senior management above his/her next reporting level or the Board of Directors.

ON GOING TRAINING TO EMPLOYEES

1. Importance of PMLA Act & its requirement to employees through training.
2. Ensuring that all the operating and management staff fully understands their responsibilities under PMLA for strict adherence to customer due diligence requirements from establishment of new accounts to transaction monitoring and reporting suspicious transactions to the FIU.
3. Organizing suitable training programs wherever required for new staff, front-line staff, supervisory staff, etc.

EMPLOYEES' HIRING/EMPLOYEE'S TRAINING/ INVESTOR EDUCATION

To ensure that the adequate screening procedures in place to high standards when hiring employees. To identify the key positions within own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

INVESTORS EDUCATION

Certain information from investors which may be of personal nature or has either to never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need to sensitize clients about these requirements as the ones emanating from AML and CFT framework. Preparation of specific literature/ pamphlets etc. to educate the client is the object of the AML/CFT programme.

INDEPENDENT VERIFICATION OF CLIENTS UNDERTAKEN DURING CLIENT ACCEPTANCE

The documents are independently verified at the time of client on boarding. Further the in-person verification of clients is also conducted by the persons as defined by the regulatory bodies.

RISK ASSESSMENT

We have additionally carried out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions and accessed at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>).

The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment shall be documented, updated regularly and made available to competent authorities and self-regulating bodies, as and when required.

AUDIT AND TESTING OF ANTI MONEY LAUNDERING PROGRAM

The Anti Money Laundering program is subject to periodic audit, specifically with regard to testing its adequacy to meet the compliance requirements. The audit/testing is conducted by Trading Member's own personnel not involved in framing or implementing the AML program. The report of such an audit/testing is placed for making suitable modifications/improvements in the AML program.

- Monitoring the implementation of Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) Policy
- Reporting of Transactions and sharing of information as required under the law
- Ensuring submission of periodical reports to Top Management. The report shall mention if any suspicious transactions are being looked into by the respective business groups and if any reporting is to be made to the authorities.
- Ensure that it discharges its legal obligation to report suspicious transactions to the concerned authorities.

DESIGNATED DIRECTOR

“Designated Director” means a person designated by the Board of Directors to ensure over all compliance with the obligations imposed under The Prevention of Money Laundering Act, 2002 and the Rules framed there under, as amended from time to time, and include the Managing Director or a Whole-time Director duly authorized by the Board of Directors. The Company shall appoint a Designated Director and communicate the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND and update the same whenever there is any change.

REVIEW AND AMENDMENT

This policy of the company is reviewed once in a financial year. In case of regulatory change in between then it is reviewed and updated to comply with the new regulatory order & guidance within the time frame specified by the regulators.

WEAPON OF MASS DESTRUCTION AND THEIR DELIVERY SYSTEMS (PROHIBITION OF UNLAWFUL ACTIVITIES) ACT, 2005 VIDE SEBI CIRCULAR DATED APRIL 26, 2003

I. In terms of Section 12A of the WMD Act, the Central Government is empowered as under:

(1) For prevention of financing by any person of any activity which is prohibited under the WMD Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems, the Central Government shall have power to—

Freeze, seize or attach funds or other financial assets or economic resources— i. owned or controlled, wholly or jointly, directly or indirectly, by such person; or ii. held by or on behalf of, or at the direction of, such person; or iii. derived or generated from the funds or other assets owned or controlled, directly or indirectly, by such person;

prohibit any person from making funds, financial assets or economic resources or related services available for the benefit of persons related to any activity which is prohibited under the WMD Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems.

(2) The Central Government may exercise its powers under this section through any authority who has been assigned the power under sub-section (1) of section 7.”

II. Maintain the list of individuals/entities (“Designated List”) and update it, without delay.

III. Verify if the particulars of the entities/individual, party to the financial transactions, match with the particulars of the Designated List and in case of match, CBL shall not carry out such transaction and shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Chief Nodal Officer (“CNO”), without delay. The details of the CNO are as under:

The Director FIU-INDIA

Tel.No.:011-23314458, 011-23314459 (FAX)

Email: dir@fiuindia.gov.in

IV. Run a check, on the given parameters, at the time of establishing a relation with a client and on a periodic basis to verify whether individuals and entities in the Designated List are holding any funds, financial assets or economic resources or related services, in the form of bank accounts, Page 23 of 23 stocks, insurance policies etc. In case, the clients’ particulars match with the particulars of Designated List, CBL shall immediately inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or insurance policies etc., held on their books to the CNO, without delay.

V. Send a copy of the communication, without delay, to the Nodal Officer of SEBI. The communication shall be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the Nodal Officer of SEBI, Deputy General Manager, Division of FATF, Market Intermediaries Regulation and Supervision Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.

VI. prevent such individual/entity from conducting financial transactions, under intimation to the CNO, without delay, in case there are reasons to believe beyond doubt that funds or assets held by a client would fall under the purview of Section 12A (2)(a) or Section 12A(2)(b) of the WMD Act.

VII. Upon the receipt of the information above, the CNO would cause a verification to be conducted by the appropriate authorities to ensure that the individuals/entities identified are the ones in the Designated List and the funds, financial assets or economic resources or related services, reported are in respect of the designated individuals/entities. In case, the results of the verification indicate that the assets are owned by, or are held for the benefit of, the designated individuals/entities, an order to freeze these assets under section 12A would be issued by the CNO and be conveyed to the concerned reporting entity so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for the benefit of the designated individuals/entities.

ADHAAR NUMBER UPDATION

- Where the client is an Individual, who is eligible to be enrolled for an Aadhaar number, he shall submit Aadhaar number issued by the Unique Identification Authority of India or where an Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar shall be submitted.
- Where the client is Company, it shall submit, Aadhaar numbers issued to managers, officers or employees holding an attorney to transact on the company's behalf or where an Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar shall be submitted.
- Where the client is a Partnership Firm, it shall submit Aadhaar numbers issued to the person holding an attorney to transact on its behalf or where an Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar shall be submitted.
- Where the client is a Trust, it shall submit Aadhaar numbers issued to the person holding an attorney to transact on its behalf or where Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar shall be submitted.
- Where the client is an Unincorporated Association or a Body Of Individuals, it shall submit Aadhaar numbers issued to the person holding, an attorney to transact on its behalf or where Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar shall be submitted.

Upon receipt of Aadhaar, Member shall carry out authentication using either

1. e-KYC authentication facility or
2. Yes/No authentication facility provided by Unique Identification Authority of India.

INCOME AND OCCUPATION UPDATION

It is mandatory for all individuals to periodically update their income and occupation details.

Updates should be made promptly upon any significant changes in income levels or job status.

IMPLEMENTATION AND REVIEW OF AML POLICY

This policy shall come into effect from the date of approval of the Board of Directors of the company for its implementation. The AML Policy shall be reviewed and assessed annually by the company. However, changes in the operation and implementation of the new circulars will be effected as and when they are issued by respective authorities.

AML RECORD KEEPING

a. Star Maintenance and Confidentiality

We will hold STRs and any supporting documentation confidential. We will not inform anyone outside of a law enforcement or regulatory agency or securities regulator about a STR. We will refuse any requests for STR information and immediately tell FIU IND of any such request we receive. We will segregate STR filings and copies of supporting documentation from other firm books and records to avoid disclosing STR filings. Our Principal Officer will handle all requests or other requests for STRs.

b. Responsibility for AML Records and STR Filing

Principal Officer will be responsible to ensure that AML records are maintained properly and that STRs are filed as required.

c. Records Required

As part of our AML program, our company will create and maintain STRs and CTRs and relevant documentation on customer identity and verification. We will maintain STRs and their accompanying documentation for at least ten years.

PRINCIPAL OFFICER

The company has designated the Principal Officer who shall be responsible for implementation and compliance of this policy shall include the following:

- Compliance of the provisions of the PMLA and AML Guidelines
- Monitoring the implementation of Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) Policy
- Reporting of Transactions and sharing of information as required under the law
- Ensuring submission of periodical reports to Top Management. The report shall mention if any suspicious transactions are being looked into by the respective business groups and if any reporting is to be made to the authorities.
- Ensure that it discharges its legal obligation to report suspicious transactions to the concerned authorities.

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REVIEW AND AMENDMENT

This policy of the company is reviewed once in a financial year. In case of regulatory change in between then it is reviewed and updated to comply with the new regulatory order & guidance within the time frame specified by the regulators.

Details of Designated Officer(s)

Principal Officer: Designated Director: Mr. Ashish Ajmera

Prepared by: Principal Officer

Reviewed by: Designated Director

Reviewed on: 20th February, 2025

