



ASHIKA STOCK BROKING LIMITED

ANTI MONEY LAUNDERING POLICY

1.1 BACK GROUND

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from July 01, 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on July 01, 2005 by the Department of Revenue, Ministry of Finance, Government of India. 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 read with section 24 of the SEBI Act, 1992 will now be treated as a scheduled offence under schedule B of the PMLA.

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 nonbanking financial company) and intermediary (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 the securities market and registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act)) shall have to maintain a record of all the transactions, the nature and value of which has been prescribed in the Rules under the PMLA (includes as below)

- All cash transactions of the value more than ` 10 lacs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below ` 10 lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency.
- 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. In case there is a variance in CDD/AML standards



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prescribed by SEBI and the regulators of the host country, branches/overseas subsidiaries of intermediaries are required to adopt the more stringent requirements of the two.

SEBI vide its master circular no. SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 October 15, 2019 has superseded the earlier Master Circular on AML/ CFT dated July 04, 2018.

1.2 Policies and Procedures to Combat Money Laundering and Terrorist financing

Each intermediary shall consider carefully the specific nature of its business, organizational structure, type of client and transaction, etc. to satisfy itself that the measures taken by it are adequate and appropriate and follow the spirit of the suggested measures in Section II and the requirements as laid down in the PMLA.

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 fulfillment of the aforementioned obligations.

To be in compliance with these obligations, the senior management of Ashika Stock Broking Limited (ASBL) 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. ASBL 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 in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and (g) develop staff members’



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awareness and vigilance to guard against ML and TF.

Policies and procedures to combat ML shall cover: (a) Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries; (b) Client acceptance policy and client due diligence measures, including requirements for proper identification; (c) Maintenance of records; (d) Compliance with relevant statutory and regulatory requirements; (e) Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and (f) Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, 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. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

2.1. Written Anti Money Laundering Procedures

Ashika Stock Broking Limited (ASBL) shall adopt written procedures to implement the antimoney 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 Process': (a) Policy for acceptance of clients (b) Procedure for identifying the clients (c) Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR).

2.2. Client Due Diligence (CDD)

2.2.1 The CDD measures comprise the following:

- (a) 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,



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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

(b) Verify the client's identity using reliable, independent source documents, data or information

(c) Identify 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 -

i. **For clients other than individuals or trusts:** Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

aa) 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.

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

i. More than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;

ii. More than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or

iii. 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.

bb) In cases where there exists doubt under clause (aa) 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.

cc) Where no natural person is identified under clauses (aa) or (bb) above, the



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identity of the relevant natural person who holds the position of senior managing official.

- ii. **For client which is a trust:** Where the client is a trust, ASBL 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.
- 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:** While dealing with foreign investors', ASBL may be guided by the clarifications issued vide SEBI circulars CIR/MIRSD/11/2012 dated September 5, 2012 and CIR/ MIRSD/ 07/ 2013 dated September 12, 2013, for the purpose of identification of beneficial ownership of the client.
- v. The Management i.e. the Board of ASBL shall monitor the compliance of the aforementioned provision on identification of beneficial ownership through half yearly internal audits.

(d) 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).

(e) Understand the ownership and control structure of the client.

(f) 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 ASBL's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and

(g) ASBL shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.



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2.2.2 Policy for acceptance of clients:

ASBL shall develop client acceptance policies and procedures that aim to identify the types of clients that are likely to pose a higher than average risk of ML or TF. By establishing such policies and procedures, it will be in a better position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. In a nutshell, the following safeguards are to be followed while accepting the clients:

- (a) No account is opened in a fictitious / benami name or on an anonymous basis.
- (b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.
- (c) 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 Circulars issued by SEBI from time to time.
- (d) Ensure that an account is not opened where ASBL is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non-genuine, or there is perceived non-co-operation of the client in providing full and complete information. ASBL shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. ASBL shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, ASBL shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.
- (e) The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. The person acting for/on behalf of the clients shall have an authority/consent letter. Adequate verification of a person's authority to act on behalf the client will also be carried out by the surveillance department under the direct supervision of the "Designated Director".
- (f) Necessary checks and balance as per the details generated from the procured software – Trackwizz to be reviewed to ensure that the identity of the client does not match with any



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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

(g) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

2.2.3 Risk-based Approach:

2.2.3.1 It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, ASBL shall apply each of the client due diligence measures on a risk sensitive basis. ASBL shall adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that ASBL shall obtain necessarily depend on the risk category of a particular client.

2.2.3.2 Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk

2.2.3.3 Risk Assessment

(a) ASBL shall carry 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 (these can be accessed at the URL - http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>)

(b) 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.



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2.2.4 Clients of special category (CSC): Such clients shall include the following:

- (a) Non - resident clients
- (b) High net-worth clients,
- (c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- (d) Companies having close family shareholdings or beneficial ownership
- (e) Politically Exposed Persons (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of 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 para 2.2.5 shall also be applied to the accounts of the family members or close relatives of PEPs.
- (f) Companies offering foreign exchange offerings
- (g) Clients in high risk countries. While dealing with clients from or situate in high risk countries or geographic areas or when providing delivery of services to clients through high risk countries or geographic areas i.e. places where existence or effectiveness of action against money laundering or terror financing is suspect, ASBL apart from being guided by the Financial Action task Force (FATF) statements that inter alia identify such countries or geographic areas that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org) from time to time, shall also independently access and consider other publicly available information.
- (h) Non face to face clients
- (i) Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and ASBL shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.

2.2.5 Client identification procedure:

2.2.5.1 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. ASBL shall be in



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compliance with the following requirements while putting in place a Client Identification Procedure (CIP):

(a) ASBL shall put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPS. Further, the enhanced CDD measures as outlined in clause 2.2.5 shall also be applicable where the beneficial owner of a client is a PEP.

(b) The KYC team of ASBL shall 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, the KYC team shall obtain senior management approval to continue the business relationship.

(c) ASBL shall 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 the intermediary by using reliable sources including documents / information. ASBL 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 ASBL 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.

2.2.5.2 SEBI has prescribed the minimum requirements relating to KYC for certain classes of registered intermediaries from time to time as detailed in Schedule II of its Master Circular. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, ASBL shall frame its own internal directives based on its experience in dealing with its clients and legal requirements as per the established practices. Further, ASBL shall conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that the intermediary is aware of the clients on whose behalf it is dealing.



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2.2.5.3 ASBL shall formulate and implement a Client Identification Procedure which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients of the banking companies, financial institutions and intermediaries of securities market and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients.

2.2.5.4 It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to ASBL from obtaining the minimum information/documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by ASBL. This shall be strictly implemented by all intermediaries and non-compliance shall attract appropriate sanctions.

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

2.2.6.1 ASBL 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 monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.

2.2.6.2 Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, it is clarified that the registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.



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2.3. Record Keeping

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

2.3.2 ASBL shall maintain such records as 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 behavior.

2.3.3 Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, ASBL shall retain the following information for the accounts of its clients in order to maintain a satisfactory audit trail:

- (a) the beneficial owner of the account;
- (b) the volume of the funds flowing through the account; and
- (c) for selected transactions:
 - i. the origin of the funds
 - ii. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
 - iii. the identity of the person undertaking the transaction;
 - iv. the destination of the funds;
 - v. the form of instruction and authority

2.3.4 ASBL shall ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed thereunder PMLA, other relevant legislations, Rules and Regulations or Exchange byelaws or circulars.

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



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- (a) all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- (b) all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;
- (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.

2.4. Information to be maintained

2.4.1 ASBL shall maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

- (a) the nature of the transactions;
- (b) the amount of the transaction and the currency in which it is denominated;
- (c) the date on which the transaction was conducted; and
- (d) the parties to the transaction.

2.5. Retention of Records

2.5.1 ASBL shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and ASBL.

2.5.2 As stated in sub-section 2.2.5, ASBL shall formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained



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and preserved for a period of five years after the business relationship between a client and ASBL has ended or the account has been closed, whichever is later.

2.5.3 Thus the following document retention terms shall be observed:

(a) All necessary records on transactions shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.

(b) ASBL shall maintain and preserve the records of documents evidencing the identity of its clients and beneficial owners (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of five years after the business relationship between a client and ASBL has ended or the account has been closed, whichever is later.

2.5.4 In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.

2.5.5 Records of information reported to the Director, Financial Intelligence Unit – India (FIU – IND) : ASBL shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and ASBL.

2.6. Monitoring of transactions

2.6.1. ASBL shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. In this regard ASBL may specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. 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 shall be made available to auditors and also to SEBI/stock exchanges/FIUIND/ other relevant Authorities, during 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 transaction between the client and ASBL.



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2.6.2 ASBL shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the higher authorities within ASBL.

2.6.4 Further, the compliance cell of ASBL shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

2.7. Suspicious Transaction Monitoring and Reporting

2.7.1 Monitoring Transactions

(i) Trading limits shall be assigned to all the clients in the trading software as per risk management.

(ii) Volume of Trade to be correlated with the client's net worth or income level: If the volume of trade is inconsistent with the client's financial background, explanation should be sought from the client for the same. Failure by client to provide satisfactory explanation should be noted and reported to the designated director.

(iii) If there are large numbers of accounts having a common account holder, introducer or authorized signatory, explanation for the same shall be sought from the beneficial owner. If the client receives off market transfer from unrelated people or if shares given as loans are not reversed then those could be marked as high risk. If the client is not able to satisfactorily explain the rationale for the same, the fact shall be reported to the designated director.

(iv) Transaction monitoring is an extremely important aspect of the risk profiling system. Whenever the RMS Team sees that a client is doing or having an unusual or a suspicious trading pattern, the same to be immediately and independently reported to the designated director of the company. We are using TSS software where scanning of the Red Flag Indicators is done as per FIU circular No.9-6/AG-II/2012/FIU-IND dated March 11, 2016 and F.No 9-2/2021/Intermediaries / FIU-IND dated July 21 , 2022 for any RFI alerts.



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- (v) Payments department should ensure that payment received from the client is being received in time and through the bank account the details of which are given by the client in KYC form and the payment through cash / bearer demand drafts should not be entertained. If so, the banker cheque/ demand draft/ pay order should be accompanied with the name of bank account holder and the bank account number debited, duly certified by issuing bank.
- (vi) Trades done by senior Citizens, Housewife over a threshold limit (Threshold limit decide that 1 crore turnover in a single day and it is done on repeated basis) or inconsistent with the occupation or Income level should be marked with medium risk.
- (vii) If the client mentions the occupation as student or house wife and trades in derivatives over the threshold limits, or brings money cumulatively for a given period over the threshold limits then based on number it could be medium or high.
- (viii) If the client is above the age of 70 and there is turnover in derivatives above threshold value then client could be marked as medium or high based on the numbers.
- (ix) If a client deals in only one script, he may dematerialize and sell the same and the variation of the price in that stock is more than 300% in last one year then that should be categorized as medium risk customer.
- (x) A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:
- (a) Clients whose identity verification seems difficult or clients that appear not to cooperate
 - (b) Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing /business activity;
 - (c) Clients based in high risk jurisdictions;
 - (d) Substantial increases in business without apparent cause;
 - (e) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
 - (f) Attempted transfer of investment proceeds to apparently unrelated third parties;
 - (g) Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export import of small items;
 - (h) Substantial increases in business without apparent cause;
 - (i) Unexplained transfers between multiple accounts with no rationale;



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- (j) Sudden activity in dormant accounts;
- (k) Activity inconsistent with what would be expected from declared business;
- (l) Sources of funds are doubtful or inconsistency in payment pattern;

2.7.2 ASBL shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, ASBL shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

2.7.3 Any suspicious transaction shall be immediately notified to the Designated Director of ASBL. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/ suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Principal Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

2.7.4 It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. It is clarified that ASBL shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

2.7.5 Clause 2.2.4 (g) of this Master Circular categorizes clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'CSC'. Such clients shall also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.



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2.8. List of Designated Individuals/ Entities

2.8.1 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 the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>. KYC Team of ASBL shall ensure that accounts are not opened in the name of anyone whose name appears in said list. ASBL shall 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 shall immediately be intimated to SEBI and FIUIND.

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

2.9.1 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 27, 2009 (Annexure 1) detailing the procedure for the implementation of Section 51A of the UAPA, empowering Central Government 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; 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.

2.9.2 ASBL shall ensure effective and expeditious implementation of the procedure laid down in the UAPA order dated August 27, 2009 as listed below :-

- a) On receipt of the updated list of Individuals/entities subject to the UN sanction measures (hereinafter referred to as “list of designated individuals /entities” from the ministry of



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external affairs (MHA) , SEBI will forward the same to stock exchanges , depositories and registered intermediaries for the following purposes:

- (i) To maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order, herein after, referred to as designated individuals/entities are holding any funds, financial assets or economic resources or related services held in the form of funds or stocks with them.
 - (ii) In case, the particulars of any client match with the particulars of designated individuals/entities, ASBL shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the financial assets held in the form of fund or stock etc., held by such customer on its books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed on e-mail id: jsis@nic.in
 - (iii) ASBL shall also send a copy of the communication mentioned in (ii) above to the UAPA nodal officer of the state/UT where the account is held and Regulators and FIU-IND, as the case may be.
 - (iv) In case, the match of any of the customers with the particulars of designated individuals/entities is beyond doubt, ASBL would prevent designated persons from conducting financial transactions, under intimation to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed on e-mail id: jsis@nic.in.
 - (v) ASBL shall file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph (ii) above, carried through or attempted as per the prescribed format.
- b) On receipt of the particulars referred to in paragraph 3 (ii) above, IS-I Division of MHA would cause a verification to be conducted by the State Police and/or the Central Agencies so as to ensure that the individuals / entities identified by ASBL are the ones listed as designated individuals/entities and the financial assets reported by ASBL are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.



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c) In case, the results of the verification indicate that the properties are owned by or are 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. The order shall take place without prior notice to the designated individuals/entities.

d) Implementation of requests received from foreign countries under U.N. Security Council Resolution 1373 of 2001.

(i) U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities owned or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities.

(ii) To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA nodal officer for IS-I Division for freezing of funds or other assets.

(iii) The UAPA nodal officer of IS-I Division of MHA, shall cause the request to be examined, within 5 working days, so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the nodal officers in Regulators, FIU-IND and to the nodal officers of the States/UTs. The proposed designee, as mentioned above would be treated as designated individuals/ entities.



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(iv) The freezing orders shall take place without prior notice to the designated persons involved.

e) Procedure for unfreezing of financial assets of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person

(i) Any individual or entity, if it has evidence to prove that the freezing of financial assets (funds & Securities), owned/held by them has been inadvertently frozen, they shall move an application giving the requisite evidence, in writing, to the concerned ASBL. ASBL 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 financial assets to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 4 (ii) above, within two working days. The Joint Secretary (IS-I), MHA, being the nodal officer for IS-I 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 15 working days, unfreezing the financial assets, owned/held by such applicant, under intimation to ASBL and the nodal officers of States/UTs. However, if it is not possible for any reason to pass an Order unfreezing the assets within 15 working days, the nodal officer of IS-I Division shall inform the applicant.

f) Communication of Orders under section 51A of Unlawful Activities (Prevention) Act. All Orders under section 51A of Unlawful Activities (Prevention) Act, would be communicated to ASBL by SEBI.

2.10. Reporting to Financial Intelligence Unit-India

2.10.1 In terms of the PML Rules, ASBL is required to report information relating to cash and suspicious transactions at the following address :-

Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Chanakyapuri, New Delhi-110021.
Website: <http://fiuindia.gov.in>



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2.10.2 ASBL shall carefully go through all the reporting requirements and formats that are available on the website of FIU – IND under the Section Obligation of Reporting Entity – Furnishing Information – Reporting Format (https://fiuindia.gov.in/files/downloads/Filing_Information.html). These documents contain detailed directives on the compilation and manner/procedure of submission of the reports to FIU-IND. The related hardware and technical requirement for preparing reports, the related data files and data structures thereof are also detailed in these documents While detailed instructions for filing all types of reports are given in the instructions part of the related formats, ASBL shall adhere to the following:

- (a) The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- (b) The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.
- (c) The Nonprofit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- (d) The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
- (e) Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIUIND.
- (f) No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious/ non – profit organization transactions to be reported.

2.10.3 ASBL shall not put any restrictions on operations in the accounts where an STR has been made. ASBL and its directors, officers and employees (permanent and temporary) shall be prohibited from disclosing (“tipping off”) the fact that a STR 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 and/ or related information but even before, during and after the submission of an STR. 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 offences specified in part B of Schedule of PMLA, 2002, ASBL shall file STR if it has reasonable grounds to believe that the transactions involve proceeds of crime.



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2.11. Designation of officers for ensuring compliance with provisions of PMLA

2.11.1 Appointment of a Principal Officer:

2.11.1.1 To ensure that ASBL properly discharge their legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to the Board of Directors. Names, designation and addresses (including email addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU.

2.11.2 Appointment of a Designated Director:

2.11.2.1 ASBL shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under: "Designated director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes – a) the Managing Director or a Whole-Time Director duly authorized by the Board of Directors if the reporting entity is a company.

2.11.2.2 In terms of Section 13 (2) of the PMLA, the Director, FIU – IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the intermediary to comply with any of its AML/CFT obligations.

2.11.2.3 ASBL shall communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU – IND.

2.12. Employees' Hiring/Employee's Training/ Investor Education

2.12.1 Hiring of Employees : ASBL shall have adequate screening procedures in place to ensure



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high standards when hiring employees. It shall identify the key positions within their 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.

2.12.2 Employees' Training: ASBL has an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements shall have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. Such trainings to be conducted atleast twice in a year or as and when new amendments have been issued. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

2.12.3 Investors Education

2.12.3.1 Implementation of AML/CFT measures requires ASBL to demand certain information from investors which may be of personal nature or has hitherto 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 its clients about these requirements as the ones emanating from AML and CFT framework. ASBL shall prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme.

2.12.4 Policy Revision :The aforesaid AML policy shall be reviewed on yearly basis / with the amendments coming into force with regarding to testing its adequacy to meet the compliance requirement of PMLA 2002. The designated director shall be the authority to give directions to undertake the additional changes , modifications etc. as directed by SEBI/ FIU IND .