Zuari Finserv Private Limited - PMLA Policy Version 1.2

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PMLA Policy

SEBI had issued the Guidelines on Know Your Customer (KYC) standards and Anti Money Laundering (AML) Act measures vide their notification no. ISD/CIR/RR/AML/1/06 dated 18th January, 2006. The Guidelines issued with the circular are in the context of the recommendation made by the Financial Action Task Force (FATF) on anti-money laundering standards. Compliance with these standards by all SEBI Registered intermediaries in the country has become imperative. These Guidelines lay down the minimum requirements / disclosures to be made with respect to clients.

Objective

The objective of this policy framework is to:

1. Create awareness and provide clarity on KYC standards and AML measures
2. Outline the obligations under PMLA.
3. Provide a framework for systems and procedures.

What is Money Laundering?

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

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

Placement Phase - The physical disposal of Derivative proceeds derived from illegal activity

Layering Phase - Separating illicit proceeds from their source by creating complex layers of financial transactions designed to hamper the audit trail, disguise the origin of such funds and provide anonymity to their owners.

Integration Phase - Placing the laundered proceeds back into the economy in such a way that they re-enter the financial system appearing to be legitimate business funds. Having identified these stages of the money laundering process, financial institutions are required to adopt procedures to guard against and report suspicious transactions that occur at any stage.

The ability to launder the proceeds of criminal activity through the financial systems of the world is vital of the success of criminal operations. Consequently India, as one of the world's emerging financial markets, has a vital role to play in combating money laundering. Banks, Financial Institutions, Mutual Funds, Brokers, Depositories, Portfolio Managers and Intermediaries becoming involved in money laundering offences could face prosecution under PMLA leading to reputation and other risks.

Financial Intelligence Unit (FIU) — INDIA

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

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

Basic Principles and Objectives of Money Laundering Prevention

To assist in compliance with Indian Legislation, Rules and Regulations, the following are some of the basic principles & objectives of the guidelines:

a) Policies, procedures and controls should be established and maintained which aim to deter criminals from using the products and services of the Company for laundering the proceeds of crime.

b) In developing its policies, procedures and controls, the Company should be aware of the various risk levels.

c) Satisfactory "Know Your Customer" procedures must be formulated to identify the customers, the principal beneficial owners and the source of the funds obtained from the customer. It also includes knowing the nature of the business that the customer normally expects to conduct, and being alert to transactions that are abnormal within the relationship.

d) Principal Officer of sufficient seniority, competence and independence, must be appointed to act as the focal point for all the activity relating to money laundering, to monitor compliance and to make regular compliance reports to the Board or Senior Management of the Company.

e) The Principal Officer must be appointed as the central point of contact with the law enforcement agencies. He / She may take assistance / guidance from other departments.

f) Unexplained, unusual or abnormal transactions which are not in line with the normal expected trend of transactions in the account including transactions suspected to being linked to criminal conduct should be reported to the Principal Officer who should then determine whether a report should be made to the appropriate authority.

g) The background including all documents / office records / clarifications sought pertaining to such transactions & purpose thereof shall also be examined carefully & finding shall be recorded in writing. Documents & records should be made available to auditors & SEBI/ Stock Exchanges / FIU-IND etc. These records are required to be preserved for 5 years from the date of cessation of transaction between the Client and the Company as per Rule number 9 of PMLA 2002. "Date of Cessation" of transaction shall mean date "date of termination/closure of an account or business relationship".

h) Reporting lines for suspicious transaction should be clear and unambiguous. All reports should reach the Principal Officer without delay.

i) All staff should have access to information about their statutory responsibilities and relevant staff should be made aware of the anti-money laundering policies and procedures. Relevant staff should be provided with Anti Money Laundering training that helps them to understand the money laundering risks involved in business. Records must be kept regarding persons trained.

j) Records confirming the identity of customers should be retained for 5 years following the cessation of business relationship. The records referred in Rule 3 of Prevention of Money Laundering Rules, 2005 shall be maintained for a period of 5 years from the date of cessation of the Transactions between the Client and the intermediary.

KYC

SEBI had issued the Guidelines on Know Your Customer (KYC) standards and Anti Money Laundering (AML) Act measures vide their notification no. ISD/CIR/RR/AML/1/06 dated 18th January, 2006.

Customer Acceptance Policy:

We have developed 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, we 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:

- No account is opened in a fictitious / benami name or on an anonymous basis.
- 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 may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (**KYC**) profile.
- 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.
- Ensure that an account is not opened where the intermediary 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. It is ensured that we do 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. The market intermediary shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.

- The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with the intermediary, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.

- Necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide

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

  - Each client should be met in person: Company would accept client / s from whom we are able to meet personally. Either, the client should visit he office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filled in and signed.
  - Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client or employee. In case of accounts opened in the name(s) of NRI of FNs. (If the Company cannot personally verify the NRI/FN client), the Company/KYC Team shall ensure the photocopies of all the KYC documents/proofs and PAN card are attested by Indian Embassy or Consulate General in the Country where the NRI or FN resides. The attesting authority affix a "verified with originals" stamp on the said documents. The photocopies of the KYC documents and PAN card should be signed by NRI/FN. If the NRI or FN comes in person to open the account, the above attestation are required may be waived.
  - Accepts client on whom Company is able to apply appropriate KYC procedures : Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.
  - Do not accept clients with identity matching persons known to have criminal background: Check whether the client's identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide. To check the same, the data available in the public domain may be referred.

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

1. Client PAN should be checked in for SEBI debar list, Politically Exposed Person list etc.
2. **Be careful while accepting Clients of Special category:** We should be careful while accepting clients of special category like NRIs,HNIs,Trust, Charities,NGOs,Politically Exposed Persons (PEP) persons of foreign origin, companies having closed shareholding / ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non-face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc). Scrutinize minutely the records/documents pertaining to clients belonging to aforesaid category .

General precautions:

3. Do not accept client registration forms which are suspected to be fictitious.
4. Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
5. Do not compromise on submission of mandatory information/documents.
6. Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines.
7. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.
8. Client of Special Category should be categorized as high risk client.
9. The Company/employees shall closely examine the transaction in order to ensure that they are consistent with Client business and risk profile.
10. Before opening of A/c, KYC Team should check/refer to the list provided at http://www.un.org/sc/committees/1267/consolist.shtml . If in case, any similarities found form the list, same shall be informed to SEBI & FIU-IND.

Money Laundering risk assessments

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

The Risk Assessment is required in order to assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to 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 Contract Resolutions.

Risk classification

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

1. Type of the customer and nature of business
2. Type of product/service availed by the customer
3. Country where the Customer is domiciled

Based on the above criteria, the customers may be classified into three Money laundering relationship depends on:

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

(i) High Risk

In addition to client defined in special category following clients are classified as high risk, provided their transaction value exceeds Rs. 1 Crore

a) Non resident clients
b) High Net-worth clients
c) Trust, Charities, NGOs and organizations receiving donations
d) Unlisted Companies
e) Companies having close family shareholding and beneficial ownership
f) Politically exposed persons (PEP): Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country eg.: Senior politicians, Heads of States of Government, senior government,/judicial/military/officials.)
g) Clients who have defaulted in the past, have suspicious background and do not have any financial status.
h) Companies offering foreign exchange
i) Clients in high risk countries: (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, where there is unusual banking secrecy, countries active in narcotics production countries where corruption (as per transparency international corruption index) is highly prevalent. Countries against which government sanctions are applied. Countries reputed to be any of the following — Havens/ sponsors of international terrorism, offshore financial centres, tax havens, Countries where fraud is highly prevalent.
j) Clients with dubious reputation as per public information available etc.
k) Non face to face Clients.

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

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

(ii) Medium Risk

Client defined in above category having transaction value below 10 Lacs and those Clients who are mostly intra-day Clients or speculative Clients. Further based on business directive the clients who maintain running account continuously with the company may also be categorized as Medium risk clients as case to case basis.

(iii) Low Risk

Clients those pose NIL or low risk. They are Individuals/Corporates/HNIs who have respectable social and financial standing. These are the Clients who make a payment on time and take delivery of shares.

The low risk provisions should not apply when there are suspicions of Money Laundering / Financing Terrorism (ML/FT) or when other factors give rise to a belief that the customer does not in fact pose a low risk.

Irrespective of the definition / criteria cited above, ZFPL, on the basis of various aspects such as transaction volume, pattern of investment, scrip / contract selection, regularity in payments etc., may change / revise the categorisation of a particular / set of customers.

Treatment of Accounts of Clients of Special Category:

1. **NRI:** While opening NRI account whether repatriable or non repatriable, utmost care should be exercised and following documents should be collected from the clients:

1. PAN Card Copy
2. Passport Copy
3. Indian Address Proof
4. Cancelled Cheque copy of NRE A/c
5. PIS Permission issued from RBI.
6. NRI Address Proof
7. Bank Statement Copy.
8. Client Master Copy for demat account.
9. Tax Residency proof

2. **High Net worth Clients:** High Net worth clients could be classified as such if at the account opening stage or during the course of the relationship, it is realized that the client's investments or the appetite for investment is high.

3. **Trust, Charity and NGOs**: Both public as well private, registered as well un-registered trust will have to be classified in the Special Category. Any Charitable or Non-governmental organization or a Non Profit Organization will be also classified herein.

4 **Close family shareholdings or Beneficial Ownership**: In case of close family shareholdings the objective is to understand whether the beneficiaries of two or more accounts, which may also be opened at different times, are same, then both need to be marked under this special category.

5. **Politically Exposed Persons**: In case of PEPs, the account should be opened only after consent of the senior management and all the required documents are collected and client should be marked as PEP in records. 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 business relationship. ZFPL shall verify the sources of funds of the PEP by obtaining bank statements from time to time.

6. **Company offering foreign Exchanges**: At the account opening stage if the individual or the entity is registered foreign exchange dealer, then the same may be categorized.

7. **Client in High Risk Country:** No accounts shall be opened if received from a client who was residing in a high risk jurisdiction and may have investment proceeds which may have also originated from these counties. The list may be obtained from the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf- gafi.org).

8. Client with dubious Public Reputation: If a client's reputation during the opening of the account or post opening the account is known to be not good, then the same is marked in this special category.

Know Your Customer and Identification

KYC

SEBI had issued the Guidelines on Know Your Customer (KYC) standards and Anti Money Laundering Act (AML) measures vide their notification no. ISD/CIR/RR/AML/1/06 dated 18th January, 2006.

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- Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client or employee. In case of accounts opened in the name(s) of NRI of FNs. (If the Company cannot personally verify the NRI/FN client), the Company/KYC Team shall ensure the photocopies of all the KYC documents/proofs and PAN card are attested by Indian Embassy or Consulate General in the Country where the NRI or FN resides. The attesting authority affix a "verified with originals" stamp on the said documents. The photocopies of the KYC documents and PAN card should be signed by NRI/FN. If the NRI or FN comes in person to open the account, the above attestation are required may be waived.
- Accepts client on whom Company is able to apply appropriate KYC procedures : Obtain complete information from the client. It should be ensured that the initial

forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.

- Do not accept clients with identity matching persons known to have criminal background: Check whether the client's identify matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide. To check the same, the data available in the public domain may be referred.

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General precautions:

1. Do not accept client registration forms which are suspected to be fictitious.
2. Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
3. Do not compromise on submission of mandatory information/documents.
4. Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines.
5. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.
6. Client of Special Category should be categorized as high risk client.
7. The Company/employees shall closely examine the transaction in order to ensure that they are consistent with Client business and risk profile.

Client due Diligence (CDD):

The CDD measure comprises the following:

a. Seeking 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
b. Verification of client identity using reliable, independent source document and data or information.
c. Identification of beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted in the following cases:

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- **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, ZFPL shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

    a. The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

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.

    b. In cases where there exists doubt under clause (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner

    c. Where no natural person is identified under clauses (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official.

- **For client which is a trust:** Where the client is a trust, the intermediary 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.

- **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.

- **Applicability for foreign investors:** ZFPL dealing with foreign investors 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. Further, for the purpose of identification of beneficial owner of the foreign investor like Foreign Institutional Investor, ZFPL shall identify the beneficial owner with the shareholding or beneficial interest equal or more than 25%. If global custodian/local custodian provide an undertaking to submit these details, then ZFPL shall take such undertaking only.

- 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 above .

- Understand the ownership and control structure of the client. .

- 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. The CDD process will be revisited in case of any money laundering(ML) or financing of terrorism.

- ZFPL shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process

Customer Acceptance Policy

Further, having sufficient information about the customer and making use of that information is the most efficient tool used to counter the efforts of laundering the proceeds of crime. In addition to minimizing the risk of being used for illicit activities, adequate KYC information provides protection against fraud, and enables suspicious activity to be recognized, consequently protecting the Company from reputation and financial risks.

Where the investor is a new investor, an account must be opened only after ensuring that **pre account opening KYC documentation and procedures are conducted.**

A risk-based approach is required to be adopted towards client identification in respect of any additional information that might be required in specific cases.

The Company shall periodically update all documents, data or information of all Clients and Beneficial Owners collected under the Client Disclosure Document (CDD) process. The CDD process should necessarily be revisited where there are suspicious of money laundering or financing of terrorism. (ML/FT)

SEBI vide its circular no. CIR/MIRSD/2/2013 dated January 24, 2013 has issued guidelines on identification of Beneficial ownership. Provisions with respect to the determination of beneficial ownership is annexed — as Annexure- 1, same needs to be followed while opening account and subsequently for identifying beneficial owner by KYC department.

Documents required for accepting Clients as per Rule 9 of the Prevention of Money-laundering

Individual

1. One certified copy of an 'officially valid document' containing details of his identity and address.
2. One recent photograph
3. Such other documents including in respect of the nature of business and financial status of the client (therefore proof of financial standing is also required for client dealing in Derivative segment)

Partnership Firm

One certified copy of the following documents:

1. Registration certificate;
2. Partnership deed
3. an officially valid document in respect of the person holding an attorney to transact on its behalf.

Trust

Certified copy of the following documents:

1. Registration certificate;
2. Trust deed; and
3. an officially valid document in respect of the person holding an attorney to transact on its behalf.

Company

Certified copy of the following documents:

1. Certificate of incorporation;
2. Memorandum and Article of Association
3. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
4. An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.

Application of Commercial Judgment

The company shall adopt a risk-based approach to the KYC requirements. Consequently, there will be circumstances when it will be both necessary and permissible to apply commercial judgment to the extent of the initial identification requirements. Decisions will need to be taken on the number verification parameters with in a relationship, the identification evidence required, and when additional checks are necessary.

Establishing Identity

What is identity?

Identity generally means a set of attributes which together uniquely identify a natural or legal person. For example, an individual's identity comprises his/her name including all other names used, the residential address at which he/she can be located and his/her photograph.

Date of birth is also important as an identifier in support of the name and is essential to law enforcement agencies in an investigation.

Whose Identity should be Verified?

Identification evidence should usually be verified for:

The named account holder(s) / the person in whose name an investment is registered;

Any principal beneficial owner of funds being invested who is not the account holder or named investor;

e.g. no account should be opened by X for the benefit of Y. Account in the name of wife/kids for the benefit of husband/father may or may not be operated by later.

The failure or refusal by an applicant to provide satisfactory identification evidence within a reasonable time scale and without adequate explanation may lead to a suspicion that the depositor or investor is engaged in money laundering.

Possible indication of Suspicion:

Identity of client

1. False identification documents
2. Identification documents which could not be verified within reasonable time
3. Non face to face client
4. Clients in high risk jurisdiction
5. Doubt over the real beneficiary of the account
6. Accounts opened with names very close to other established business entities
7. Receipt back of well come kit undelivered at the address given by the client
8. Bounced communication
9. Frequent change of name, address and bank and demat account details.

Suspicious Background

1. Suspicious backgrounds or links with criminals

Multiple Accounts

1. Large number of accounts having a common parameters such as
2. common partners / directors / promoters / address / email address /telephone numbers, introducer or authorized signatory
3. Unexplained transfers between such multiple accounts.

Activity in Accounts

1. Unusual activity compared to past transactions
2. Use of different accounts by client alternatively
3. Sudden activity in dormant accounts
4. Activity inconsistent with what would be expected from declared income of Client

Nature of Transactions

1. Unusual or unjustified complexity.
2. No economic rationale
3. Source of funds are doubtful
4. Appears to be case of insider trading
5. Purchases made on own account transferred to a third party through an off market transactions through DP account
6. Transactions reflect likely market manipulations
7. Suspicious off market transactions

Identification Procedures: General Principles

The Company shall establish to its satisfaction that they are dealing with an individual or an entity and obtain identification evidence sufficient to establish that the applicant is that individual or entity.

Reliance on third party for carrying out Client Due Diligence

When reliance is being placed on any franchise to identity or confirm the identity of any applicant, the overall legal responsibility to ensure that the procedures and evidence obtained are satisfactory rests with the Company.

Certification and Copying Identification Documents

A risk-based approach will be adopted towards certification of Documents. For low risk clients, reliance will be placed on a self-certified copy of the documents required to prove identity and address, For high-risk and medium risk clients, the Company may adopt higher levels of verification procedures (such as requesting notarized copies or verification with originals etc.) to ensure validity of the documents submitted.

Record keeping requirements

We should ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Prevention of Money Laundering Act,2002 and Rules and Regulations made there-under, and concerned Stock Exchange(s) Bye-laws, Circulars and Notifications and any other necessary provisions and modifications made thereunder for the time being in force.

We shall retain the following information for the accounts of customers in order to maintain a satisfactory audit trail for:

(a) Beneficial owner of the account;

(b) Volume of the funds flowing through the account; and

(c) For selected transactions:

1. the origin of the funds;
2. the form in which the funds were offered or withdrawn, e.g. Derivative, cheques, etc.;
3. the identity of the person undertaking the transaction;
4. the destination of the funds;
5. the form of instruction and authority.

(For C – Identification / linkage / disbursal of funds and transaction will solely be based on the information provided by the client)

We shall consider retaining certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed the limit required under the SEBI Act, Prevention of Money Laundering Act,2002 , Exchange bye-laws or any other Act or circulars for the time being in force.

Retention of Records:

The following document retention terms should be observed:

(a) All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period prescribed under the relevant Act (Prevention of Money Laundering Act, 2002 and SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.

(b) Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the prescribed period.

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

Monitoring of transactions:

Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. This is possible only if we have an understanding of the normal activity of the client so that they can identify the deviant transactions / activities.

We shall pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. We may specify internal threshold limits for each class of client accounts and pay special attention to the transaction which exceeds the prescribed limits.

We should ensure a record of transaction is preserved and maintained in terms of section 12 of the Act and that transaction of suspicious nature or any other transaction notified under section 12 of the Act is reported to the appropriate law authority. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.

Further our compliance cell should examine a selection of transaction undertaken by clients to comment on their nature through Whistle Blower Policy i.e. whether they seems to be a suspicious transactions or not.

Customer Identification Procedure

Based on materiality and risk, verification of beneficial owners or directors may not be taken for significant and well established entities, companies listed on recognized Stock Exchanges, government departments or their agencies, government linked companies.

All responsible officers of CEBPL including Principal Officers, Compliance and risk officials shall have access to identification data and other relevant Customer Disclosure Document (CDD) information, transaction records. Etc

The Customer Disclosure Documents (CDD) process should necessarily be revisited when there is suspicion of money laundering or financing of terrorism (ML / FT)

In case, if any customer do not establish the proper evidence of identity, the same must be informed to the SEBI & FIU-IND.

Procedure for Freezing

Under the Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA) Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, 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, ZFPL shall act immediately on the same.

Recognizing and Reporting Suspicious Transaction / Activity

What is meant by "suspicion?"

The Rules notified under the PMLA defines a "suspicious transaction" as a transaction whether or not made in Derivative which, to a person acting in good faith-

1. Give rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
2. Appears to be made in circumstances of unusual or unjustified complexity; or
3. Appears to have no economic rationale or bonafide purpose.

The provisions of the PMLA place an obligation on the Company to furnish information in respect of suspicious transactions within seven working days from the date of arriving a conclusion of such transaction.

Suspicion is personal and subjective and falls far short of proof based on firm evidence. Suspicion may be defined as being beyond mere speculation and based on some foundation i.e. "A degree of satisfaction and not necessarily amounting to belief but at least extending beyond speculation as to whether an event has occurred or not"; and "Although the creation of suspicion requires a lesser factual basis than the creation of a belief, it must nonetheless be built upon some foundation."

The Principal Officer / Money Laundering Control Officer & other appropriate compliance, risk management & related staff members shall have timely access to customer identification data & other CDD information, transaction records & other relevant information

Any suspicion transaction should be immediately notified to any designated officer within the Company i.e. to the Principal Officer/designated director.

A 'Client of Special Category' (CSC), being the client from a country where effectiveness of Money Laundering controls in suspect or which insufficiently apply Financial Action Task Force (FATF) standards. CEBPL shall ensure that such clients should also be subject to appropriate counter measures. These measures may include a further enhanced systematic reporting of financial transactions & applying enhanced due diligence while expanding business relationships with the identified person

The background including all documents / office records / memorandums / clarifications sought pertaining to all transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Such findings shall be made available to auditors, SEBI/Stock Exchanges / FIU-

IND / other relevant authorities for inspection and whenever requested. These records shall be preserved for five years.

Internal Reporting of Suspicious Transactions

1. There is a statutory obligation on all staff to report to the Principal Officers, transactions where they have knowledge, suspicion, or reasonable grounds for knowledge or suspicion of money laundering.
2. Any member of staff (like KYC team, dealers relationship Managers, DP team members of back office and accounts team) who handles or is responsible for handling transactions which may involve money laundering, makes a report promptly to the Principal Officer (PO) if he knows or suspects or has reasonable grounds to know or suspect that a client, or the person on whose behalf the client is acting, is engaged in money laundering.
3. Disciplinary proceedings may be initiated on any member of staff who fails, without adequate reason, to make a report of the kind envisaged in this section.
4. It is desirable that any member of the staff should consult their immediate superior before sending a report to the Principal Officer. Where it is considered necessary for a report to be passed first to a supervisor or manager, there is a clear reporting chain under which those suspicions will be passed promptly, without delay, to the Principal Officer. Once an employee has reported his/her suspicions to the Principal Officer he/she has satisfied the obligation.

No Tipping Off

An important element to the success of the AML process is that the customers should not be informed (i.e. tipped off) that his/her accounts are being monitored for suspicious activities and / or that a disclosure has been made to the designated authority namely Financial Intelligence Unit, India. (FIU-IND)

The company can however make normal enquiries to learn more about the transaction or instruction to determine whether the activities of the customer arouse suspicion.

Where it is known or suspected that a suspicion report has already has been made internally or externally, and it then becomes necessary to make further enquiries, care must be taken to ensure that the suspicion is not disclosed either to the client or to any other third party. Such enquiries shall normally be made as directed by the Principal Officer.

"Tipping Off' provisions extended not only to the filling of the STR and/or related information but even before, during and after the submission of STR.

The Role of the Principal Officer (PO)

Mr. Krishan Kant is the Principal Officer of Zuari Finserv Private Limited

The PO is responsible for:

1) Receiving internal suspicious activity report

2) Taking reasonable steps to access any relevant KYC information on concerned parties
3) Making external report as required
4) Obtaining and using national and international findings concerning countries with inadequacies in their approach to money laundering prevention
5) Taking reasonable steps to establish and maintain adequate arrangements for awareness creation and staff training.

The Principal Officer, or any other person to whom the Principal Officer's duties have been delegated, shall have access to any information of the customer or transaction(s).

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.

Appointment of Designated Director

As per SEBI circular No. CIR/MIRSD/1/2014 dated March 12, 2014, we have appointed Mr. Vijay Kathuria as Designated Director of Zuari Finserv Private Limited and the same has been informed to FIU-IND.

Reporting Procedures under PMLA

The Principal Officer has been entrusted with the responsibility of collating and reporting transactions prescribed under the Rules notified. All internal reports of suspicious transactions shall be considered by the Principal Officer, and these shall be reported externally if the Principal Officer has reasonable grounds to suspect, as specified in the Rules notified.

In reaching a decision concerning a suspicion report, the Principal Officer, or in his/her absence a duly authorized delegate shall take reasonable steps to consider all relevant KYC information available within the Company concerning the person or business to which the initial report relates. This may include, as part of reviewing the KYC information/ customer profile:

a) Transaction patterns
b) Volumes through the account or accounts in the same name
c) The length of the business relationship
d) Reference to the KYC documents held, if required

As part of the review, the Principal Officer may choose to relate the transaction to other connected accounts or relationships.

If, after completing this review, he/she decides that there are grounds for knowledge, suspicion or reasonable grounds to suspect money laundering, then he/she must disclose the information as soon as practicable after the disclosure was received in order to avoid committing an offence of failure to disclose. Nevertheless, care should be taken to guard against the report being submitted as a matter of routine without undertaking reasonable internal enquiries to determine that all available information has been taken into account.

The officer will be expected to act honestly and reasonably and to make his/her decisions in good faith. The decision whether or not to report must not be subject to the consent or approval of any person other than the Principal Officer.

Accounts where suspicious transactions have been reported to the FIU-IND may be reclassified as High Risk/ monitored closely. Following the reporting of a suspicious transaction, the Company shall continue to be vigilant in monitoring further transactions in such accounts. However, the Principal Officer may, after a period of time, based on further developments in the account, remove such accounts from a high risk classification.

Records of information reported to the Director, Financial Intelligence Unit – India

We shall maintain and preserve the record of information related to transaction, whether attempted or executed, which are reported to the Director, FIIU-IND, as required under Rules 7 & 8 of the PML rules, for a period of five years from the date of the transaction between the client and the intermediary.

Reporting to Financial Intelligence Unit-India (FIU-IND)

1. The Principal Officer will be responsible for timely submission of CTR & STR to FIU-IND.
2. The cash transaction report (CTR) for each month should be submitted to FIU-IND by 15th succeeding month.
3. STR should be submitted within 7 days of arriving at a conclusion that any transaction. The principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious.

It is clarified that the registered intermediaries, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of schedule of PMLA 2002, should file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

Extreme confidentiality should be maintained in filing of CTR & STR to FIU-IND.

No NIL reporting needs to be made to FIU-IND in case there are no Derivative or suspicious transactions to be reported.

Company & its directors, officers & employees (permanent & temporary) are prohibited from disclosing the fact that the STR / related information is being reported/provided to the FIU-IND.

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

Policy on Hiring of key Employees:

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

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

Policy on Employees' training:

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

Conducting presentations from time to time to create awareness amongst the concerned employees and / or by sharing information over email and / or telephonically.

Policy on Investor Education:

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

- Disseminating / spreading the information amongst the investors/clients via different modes.

Suspicious Transaction Tracking

The clients trading transactions are checked for suspicious activity as follows:

- Client trading pattern
- trading in illiquid scrip / contract
- concentration in one scrip / contract if any,
- payment track record ,
- Client turnover Vs Exchange turnover.
- Synchronised trading.
- Client Purchase to his income/ Net worth
- Whether any off-market transfers are taking place from our Demat account to other Demat accounts.

Suspicious transactions encountered are raised to the Compliance officer who after consultation with Principal Officer decides to file a STR with FIU-IND. Principal Officer has been registered with FIU-IND along with the Company.

The PMLA 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.

Investor Complaints & Redressal

Investor complaints, such as Non Receipt of Confirmation, Erroneous Transfer, Erroneous Trade, Trade Without consent, Non receipt of Contract Statements, Fraudulent transfer / transaction or likewise, should be entered in the respective Grievance register.

Flow of Complaints addressing mechanism

Received at Branch	Received at Head Office
Step 1 – The recipient should inform the Branch Manager.	Step 1 – The recipient should inform the Compliance Officer.
Step 2 – Branch Manager to inform Compliance Officer.	Step 2 – Compliance Officer to initiate corrective steps towards closure of complaint.

Post receipt of grievance, every effort should be made to resolve the grievance within 7 days. Post resolution, if required & deemed fit by the Compliance Officer, a confirmatory mail should also be sent to the customer. In case, if closure / resolution of the complaint is expected to take more than 7 days, Customer should be informed.

Closure of the complaint will be the responsibility of Compliance Officer and he must investigate the complaint thoroughly and take preventive measures, if required.

Informing Exchanges, SEBI and any other regulatory body, (if required), will be the responsibility of the Compliance Officer. Furthermore, Complaint register, MIS, resolution & closure status shall also be put up to the director on monthly basis.