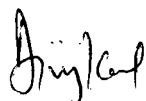


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23.06.2022



**FE SECURITIES PRIVATE LTD.**  
**PMLA POLICY**

**POLICIES AND PROCEDURES FOR PREVENTION OF MONEY LAUNDERING**  
**(ML) AND TERRORIST FINANCING (TF)**  
**(Issued as per the requirements of the PML Act 2002)**

This Policy is applicable to all activities and financial services provided by the Company as a Registered Intermediary under the SEBI Act, as a Member of recognized Stock Exchanges(s) and as a Depository Participant, and is issued in compliance with the PMLA Act 2002 as modified and Rules there under and SEBI Circulars and Directives issued from time to time. (SEBI Master Circular SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated 04.07.2018)

**PREAMBLE AND OVERVIEW**

Prevention of Money Laundering Act, 2002 (PMLA 2002) is the legal core to combat money laundering and terrorism financing in India. The Act and the Rules came into force w.e.f. 1<sup>st</sup> July 2005.

The Prevention of Money Laundering Act (PMLA) defines money laundering as: “directly or indirectly attempting to indulge or knowingly assisting or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money laundering”.

Both money laundering (ML) and terrorist financing (TF) are criminal offences under the Laws of India. We as intermediaries, our employees and sub brokers/authorized persons are obligated to be aware of and report any potentially suspicious activity relating to the underlying crime, as well as to the potential laundering of funds eg. as a securities trading firm and depository participant, all of us must be alert to potential insider trading, substantial acquisition of securities, market manipulation and deceptive devices, securities fraud, unjustified off market transfers and like matters.

The Financial Intelligence Unit (FIU-IND) was set up on 18.11.2004, as the central national agency, and reports to the Economic Intelligence Council (EIC) headed by the Finance Minister. The FIU is responsible for receiving, processing, analyzing, and disseminating information relating to suspect financial transactions. It is also responsible for coordinating efforts of national and international agencies in pursuing the global efforts against money laundering, terrorism financing and related crimes.

Pursuant to the recommendations made by the Financial Task Force on anti money laundering standards, SEBI had issued guidelines on Anti Money Laundering Standards (AML) in 2006 and in 2014, and has now updated its master circular in July 2018, and issued the obligations of the intermediaries registered under Section 12 of SEBI Act 1992. These guidelines and policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI



As per the provisions of the Act, every intermediary registered under the SEBI Act (which includes a stock broker, sub broker, depository participant) shall adopt written procedures to implement the anti money laundering provisions as envisaged under the PMLA.

Such procedures shall include, inter alia, the following three specific parameters related to the 'Client Due Diligence Process':

Policy for acceptance of clients

Procedure for identifying the clients

Transaction monitoring and reporting especially Suspicious Transactions Reporting.

### **POLICY OF THE COMPANY**

It is the aim and policy of the company to establish work procedures to achieve the aims and objectives of the Act, within the framework of our activities. Each employee must understand and implement these processes and enhance them, wherever they feel such necessity. It is stressed that these are guidelines and not boundaries, and each staff member is encouraged to suggest improvements at all times. The Policy is applicable to the sub brokers and their staff and they should be active participants in implementation.

### **IMPLEMENTATION OF THIS POLICY**

#### **PRINCIPAL OFFICER**

The Company has designated Shri Anil Kumar as the Principal Officer for its Anti-Money Laundering Program, with full responsibility for the company's AML/CFT program. Shri Anil Kumar is a post graduate, and is qualified by experience, knowledge and training. The duties of the Principal Officer will include monitoring the company's compliance with AML/CFT obligations and overseeing communication and training for employees. The Principal Officer will also ensure that proper AML records are kept. The Principal Officer shall also be the Money Laundering Control Officer. When required, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU – IND).

#### **DESIGNATED DIRECTOR**

Shri Sanjay Kaul, wholetime director, has been appointed as the Designated Director under the PMLA.

The Company has provided the FIU with contact information for the Principal Officer and Designated Director, including name, title, mailing address, e-mail address, telephone number and facsimile number. The company will promptly notify FIU of any change to this information.



## **CDD POLICY & PROCEDURES FOR ACCEPTANCE/ CLIENT IDENTIFICATION / 3<sup>RD</sup> PARTY CLIENT DUE DILIGENCE**

This is the most important aspect as client screening prior to acceptance is the primary safeguard.

The Customer Due Diligence process for client acceptance is:

Policy for Acceptance of Clients

Client Identification Procedure

### **CLIENT DUE DILIGENCE PROCESS**

The primary CDD process comprises of:

Identification of the person(s) who are the beneficial owners of or control the securities account. This is to be done by obtaining sufficient information and applying identification and verification procedures to arrive at and verify the final beneficial owner(s)/ controlling person(s). The beneficial owner/person with control or influence can be through an arrangement or indirect holding or any other means. Please note that such beneficial owner/person in control has to be a natural person(s). Controlling interest in a corporate or like control is defined as “more than 25% of shares or capital or profits”, and more than 15% of the capital or profits in a partnership, unincorporated association or association of persons. If no natural person can be identified then senior managing executives may be regarded for this purpose.

Secondly, to verify the client’s identity through use of reliable third party sources and data , eg. Registrar of Companies.

Identify the beneficial ownership and control as stated in Identification above.

#### **Policy for acceptance of clients**

This is the fundamental aspect as a proper and thorough vetting process will ensure acceptance of proper persons as clients. It is and has been the policy of the company to accept applications for Client registration from persons known to the management, and persons referred by our existing clients. Walk in clients are not acceptable as it is generally not possible to verify their background and history.

#### **Client Identification procedure**

The primary purpose of client identification is to obtain sufficient information to identify the persons who beneficially own or control the securities account, whether an individual or an entity, and further the beneficiary owners/persons with controlling interest in the entity directly or through a chain.

*Signature*

On receipt of an enquiry/ application to open an account, trading and/ or demat, as mandated by SEBI, the KYC (Know Your Client) status should be checked through the KRA system and also with the CKYC. Where the Client is already KYC/CKYC compliant, the KYC documents should be downloaded and attached to the clients application form. It is to be noted that SEBI has advised against collection of fresh documents if the Client is KYC compliant. However, it must be checked that the details on the Application Form are identical with the KYC documents. Any variation has to be substantiated with a fresh document. The following checks should be done internally in all cases : Tax website for PAN verification, (especially name) and SEBI and other websites for Banned and Prohibited Lists.

The UN Security Council Resolutions and Ban List can be accessed from <http://www.un.org/sc/committees/1267/consolist.shtml>. No account can be opened in the name of a person whose name appears on the said list. Also the client list should be examined against the ban list regularly to ensure that no account bears resemblance to any person/entity in the list. Any resemblance is to be intimated to SEBI and FIU immediately.

Additionally, supporting papers for current financial details are to be taken.

Where the Client is not KYC and CKYC compliant, the appropriate registration is to be done with all supporting documents - Proof of Identity, PAN Card, Proof of Address, Financial particulars etc.

The Govt. has mandated the UID (Aadhar no) in virtually all financial sectors. Subsequent to review of our Policy in Mach 2017, the Govt. by Notification in June 2017 made the Aadhar number issued by the UIDAI mandatory for both new and existing accounts with the financial intermediaries which includes securities market intermediaries. However, this mandatory requirement for submission of Aadhar number is in abeyance pursuant to recent orders of the Hon'ble Supreme Court. In view of the fact that it is the intention of the Govt. to ensure that the Aadhar number for each client/beneficiary is on record of the intermediary, the Company's policy is to collect this information from all new clients at the time of account opening. The Aadhar number is to be supported with the Aadhar Consent. The client's consent is Mandatory under the Aadhar Act. Accordingly the Aadhar Card copy and Consent should be collected from all new clients and also obtained from existing clients by continuous follow up. It is to be noted that for Non Individuals, the Aadhar number and consent has to be taken in respect of the Beneficial owners/Authorised Signatories. It is important that the reasons for taking Aadhar number and consent be explained to the clients, for their voluntary submission.

The valid documents for this purpose are annexed to the policy and should be referred for guidance.

The CDD mandates In Person Verification (IPV) of all clients, either by us or by our sub broker. It is recommended that the first IPV at time of registration is carried out by our own staff member and recorded accordingly. The Non residents are exempted from IPV subject to submission of necessary certified / attested documents. With the introduction of the KYC through KRA, it is not mandatory to do IPV for KRA compliant persons. However it is necessary that we meet the client, in person, prior to acceptance.



### **3<sup>RD</sup> PARTY CLIENT DUE DILIGENCE (CDD)**

The company does not outsource any activities to a third party and hence the Client Due Diligence process is carried out by its own employees. However SEBI has permitted the CDD to be done by Registered Sub Broker or their employees. The person carrying out the CDD must clearly affix the requisite stamp with name, sign, date (and sub broker stamp, if IPV by sub broker) to enable clear identification. It must be clearly understood that even if the In Person Verification has been done by above outside person, we as the final Intermediary and approving authority should not dilute our own procedures and are ultimately accountable.

Please ensure the following steps: KYC/CKYC download (wherever applicable), PAN verification from IT site for Number and exact Name, SEBI/UN/Other websites for Banned List and Prohibited Persons / Companies/ Other organizations. This process is to be followed for the Authorised Signatories and the Beneficial Owners in case of corporate body, trusts, partnership and other non individuals. The fact of carrying out such checking is to be recorded in the usual manner – stamp, sign, name and date.

#### **Corporate Clients, Association of Persons, Partnerships, Trusts**

The corporate details should be verified by download from MCA site in respect of information available to the public view. This is above the CDD documents for the Authorised Signatories. The CDD for corporate bodies, AOP, Partnerships, Trusts includes their Financial Statements for last 2 years and Shareholding (Sharing) pattern

#### **Verification of Beneficiary Ownership**

It is mandatory to obtain the beneficial ownership details in non-individual cases, so that the entire structure is eventually detailed into individuals. Only this can help determine the beneficial owners. Please note that this mandated by SEBI, and is a prerequisite for all non individual cases. This is not applicable for a Listed Company.

Partnership Deed should be checked to determine the persons in control/holding beneficial share in capital and or profits. CDD for such persons needs to be carried out.

Where the applicant is a Trust, the identity of the following should be examined: Settle or of the trust, the trustees, beneficiaries with interest more than 15%. It may be necessary to determine if final control is exercised by some person other than above mentioned, by review of the structure.

Foreign investors should be dealt with under SEBI circulars of 05.09.2012 and 12.09.2013 for identification of beneficial ownership.

*Angela*

## **Foreign Account Tax Compliance Act (FATCA)**

With the introduction of Foreign Account Tax Compliance Act (FATCA), it is mandatory to obtain the Declaration under FATCA from every prospective client. In case of Non Residents, or any person in a tax jurisdiction other than India, it is mandatory for them to declare their relevant Tax Identification No. (TIN), issued by the country where they are assessed to Income Tax.

All existing clients need to file their FATCA declarations as prescribed. After completion of the current exercise of FATCA Form updation, the clients who have not submitted are to be suspended. The back office should ensure proper coordination with the front (trading) office to ensure the blocking of such clients..The suspension may be removed on receipt of the prescribed FATCA declaration. FATCA reporting in respect of non resident clients/beneficiaries is for the Calendar Year in the prescribed formats to the Authorities. The reporting date currently fixed is 31 May following the end of the Calendar Year.

### **Applications liable for rejection**

If a potential customer refuses to provide the information described above or appears to have intentionally provided misleading information, such application should be rejected immediately.

No account will be opened in a fictitious/ benami name or on an anonymous basis.

No account will be opened where appropriate Customer Due Diligence/ KYC Policies cannot be applied.

No account will be opened where applicant's name is similar /matching to a name in caution lists or known /suspected to have a dubious background.

### **Confidentiality of Client Data**

The personal information given by the Client is Highly Confidential, and should be handled and stored with care and caution. Under no circumstances, personal details of any client are to be disclosed to a third party, except to the Government/ Authorities as required by Law. Very special care should be taken in respect of Aadhar number, and this should not be disclosed to anyone, other than required by law/regulations.

The company will maintain records of all identification information for the prescribed period after closure of the account; currently five years.

*Digital*

### **Subsequent due diligence**

The subsequent due diligence is to perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions done are consistent with the client profile, trading patterns, resources and risk profile. It is the policy and practice of the company to review the days transactions and examine any alerts from the stock exchanges on a daily basis.

The annual financial details are to be obtained from the clients and updated. Clients transacting in the derivatives segment, clients with high turnover, and clients of special category should be reviewed on priority. This will also enable proper subsequent risk perception/classification and management.

### **RISK CATEGORISATION**

To enable appropriate watch and surveillance, it is necessary to categorize the clients based on the risk perception. It should be noted that a client's risk categorization may change in the future depending on altered circumstances and information.

The basic classifications are:

- a) Low risk clients
- b) Medium risk clients
- c) High risk clients
- d) Clients of Special Category (CSC)

The broad parameters for risk categorization are indicated:

a) **Low risk clients**

These are clients with low or nil risk. For eg., Good corporates / HNIs having a respectable social and financial standing.

b) **Medium risk clients**

Intra- day clients or speculative clients.

c) **High risk clients**

Clients with very large transactions, which can pose a potential risk in meeting their commitments. Merely because a client is a large trader, whether in Capital Market or Derivative segments does not imply High Risk automatically. The entire scenario of trading, meeting commitments both financial and securities should be taken into account.

d) **Category of special clients (CSC)**

Non- resident clients, high net worth clients, trusts, charities, NGOs and organizations receiving donations, companies having close family shareholdings or beneficial ownership, politically exposed persons (PEP) as defined and their family members and close relatives, companies offering foreign exchange offerings, clients in high risk countries (refer FATF statements at [www.fatf-gafi.org](http://www.fatf-gafi.org)), non-face to face clients, clients with dubious background as per public information available and any other clients as classified.





Politically Exposed Persons (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country eg. 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 shall also be applied to their family members or close relatives. Such cases must be referred to a director prior to acceptance.

It is also possible that an account may become a PEP during the business relationship, and accordingly its classification will be changed and higher CDD will apply.

Be careful while accepting Clients of Special category (CSC). SEBI guidelines classify CSC as 'high risk category clients that require a higher degree of due diligence and regular update of KYC profile'. Extreme caution to be exercised respect of persons from high risk countries (like Libya, Afghanistan and like which are named in the UN statements).

It is the Policy of the company to thoroughly examine at the time of client registration. However a confidential list of clients of special category has already been circulated and revised lists shall be issued as the need and situation arises.

## **OPERATIONS SAFEGUARDS - BROKING & DEPOSITORY**

### **Broking Transactions**

The safeguards of Limit Setting for trades, must be enforced at all times. All unusual Orders to be referred to management, prior to entry in the Exchange System. Additional caution should be exercised by traders for dealing in penny/ illiquid stocks and securities including illiquid options. In case of illiquid scrip orders, refer to the client so that the order is not based on extraneous consideration or 'investor tips' or like.

The recent introduction of illiquid scrips being placed under Additional Surveillance Mechanism (ASM) and then under General Surveillance Mechanism –GSM places a further responsibility on the broker.

There are various grades in the GSM structure and higher responsibility is the broker to watch over these GSM Scrips. No Order should be placed in GSM scrip without Management Approval and with relevant margins/deposits as may be prescribed by the Exchange.

### **Depository Operations**

Additional care and diligence is to be exercised in the following areas:

#### 1. Off Market Transactions

An Off Market Transaction is where the Beneficial Owner (BO) transfers securities for a reason other than a sale through the recognized stock exchange.

These may be :

- (a) Delivery out by a BO from our Depository account, or
- (b) Delivery into the account of a BO into our depository, where we are the recipients and have no active role.

#### 2. Pledge and Unpledge Transactions

#### 3. Dematerialization requests

*Angela*

### Off Market Transactions – Input of Delivery Instructions

Prior to execution of a Delivery Instruction received from our B.O. for an Off Market Transfer, the following must be checked:

The Reason Column in the Instruction Slip is sufficiently filled to show the nature of transaction.

In case the transfer is to another account of the B.O. (under different DP), satisfy yourself that the recipient is the BO himself (copy of Client Master issued by the other DP)

In case of a gift or other transfer without consideration, the circumstances of each case must be checked with the BO and any additional documents that support the Instruction Slip may be requested and retained in the records. This becomes very important if the Account has been Dormant.

In case of any doubt, please refer to a senior, prior to execution.

### Off Market Transactions – Receipts

Reports of high value off market receipts are received from CDSL/FIU on a fortnightly basis. These must be examined and our client BO requested to advise the nature of receipt eg. own account/ family account transfer, direct subscription for IPO /Rights etc. After satisfaction of the proper nature of the transaction, the reasons should be noted and the documents (if any) to be attached to the report.

### Pledge and Unpledge transactions

It is advised that prior to entry of Pledge / Unpledge Request, a cross reference should be made to the BO/Authorised Signatory (of a Corporate) to ensure that the Request is properly authorized.

### Dematerialization requests

The ownership/ shareholder's name should be carefully checked in the certificates and based on the value, appropriate care should be exercised. The procedure prescribed by the Depository must be followed completely.

### 2. Transactions re: Market Trades

Where an Instruction Slip is received for transfer relating to Market Trades, the Back Office software will show a pop up (warning) for a dormant account. This dormant classification period by the Back Office must always be less than the period prescribed by the Depository. It is necessary to confirm with the BO for all such warnings and record such actions on the Instruction Slip. This becomes even more important and necessary where the transaction is under a POA to a third party, other than our company.

*Final*

## **FREEZE PROCEDURE**

The procedure for freezing the assets of a client, both in the Stock broking segment and the Depository segment are outlined:

Primarily it is the responsibility of every person to follow and carry out the Instructions issued by a Competent Authority. The freezing / attachment of any assets eg financial like a credit balance, or securities in the demat account and securities that are to be received on account of purchases, has to be in accordance with a written order from the Competent Authority. The Order may be issued by a Court, Revenue Authority, FIU, or Police or any other authority.

On receipt of such a Direction, the Designated Director (or in his absence the Principal Officer) will immediately ensure suspension of the accounts of the named person as per the directions stated in the Order.

The Central Govt. has the powers to freeze, attach or seize the assets under Section 51A of the Unlawful Activities (Prevention) Act 1967.

Under the said Act, the MHA will forward the updated List of individuals/entities under UN sanction to SEBI who will forward the same to stock exchanges, depositories and registered intermediaries to :

Maintain updated designated lists and run a check on given parameters on a regular basis to verify whether any such person is holding any asset with the intermediary.

In case any such name matches, the intermediary shall immediately, not later than 24 hours from finding out, inform full particulars of the assets held by such customer on their books to the Joint Secretary (IS.I) Ministry of Home Affairs, Tel 011-23092736, FAX 011-23092569. E mail jsis@nic.in.

In case the details of any customer match particulars of a designated person beyond doubt, the intermediary should prevent such person from conducting any financial transaction

A STR to be filed with FIU IND covering all the transactions of such a person.

Thereafter the verification process will be initiated and carried out by the Authorities.

It is imperative that total secrecy be maintained within the company regarding such an account.

The orders for freezing shall be communicated to SEBI (UAPA Nodal Officer) Integrated Surveillance Department, Plot no C4-A,G Block, SEBI Bhavan, Bandra Kurla Complex, Bandra E, Mumbai 400051 who will instruct the stock exchanges , depositories and the registered intermediaries for immediate action. This power is exercised by the Joint Secretary (IS.I), Ministry of Home Affairs. Details of transactions in an account notified under UAPA 1967 are to be immediately notified by post/fax to SEBI Nodal Officer and through e mail – sebi\_uapa@sebi.gov.in, as well as the UAPA Nodal Officer of the State/UT, and to FIU-IND. Also a STR will need to be filed with FIU for this account.

The procedure for freeze, unfreeze has been detailed in the SEBI Circular of 04.07.2018

*Ajmal*

Printouts of the Financial accounts in the Broking segment, the Holding Statement in the Depository segment and a Statement of any Securities due in the future, are to be taken and placed in the file with the Restraining Order.

The release can be done only after receipt of written Release Order from the Relevant Authority.

This File shall be checked by the Compliance Officer, reviewed by the Designated Director and be kept in safe custody with restricted access to concerned staff only.

As stated earlier under the head 'FATCA', clients holding accounts prior to the introduction of the FATCA requirements (including non individuals) are required to file their declarations. The company has requested/reminded the clients repeatedly to do so..After completion of the verification/tabulation of the FATCA forms received, the company shall suspend those accounts where the declarations have not been received.

Broking segment – Suspension of the UCI and information to all terminal operators, the words "SUSPENDED" after the name, and "Asterisk" mark against the UCI in the Client Master. Also check if any purchases are still to be received.

Depository Segment – Freeze order to prevent outward transaction as per CDSL procedures.

### **MONITORING OF TRANSACTIONS**

It is very important to regularly monitor the transactions to ensure the effectiveness of AML/CFT process and this forms one of the key areas of the Policy (Transaction Monitoring and Reporting)

The company will monitor through the automated means of Back Office Software for unusual size, volume, pattern or type of transactions. For non automated monitoring, the following kind of activities are to be mentioned as Red Flags and reported to the Principal Officer.

- The customer exhibits unusual concern about the company's compliance with government reporting requirements and the company's AML policies (particularly concerning his or her identity, type of business and assets), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or business documents.
- The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.
- The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
- The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.

*Angela*

The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as in Z group and T group stocks, or scrips under GSM, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)

The customer's account shows an unexplained high level of account activity.

The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.

The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

When a person of the company detects any red flag he will escalate the same to the Principal Officer for further investigation

Broad categories of reason for suspicion and examples of suspicious transactions are indicated as under:

- Identity of Client
- False identification documents
- Identification documents which could not be verified within reasonable time
- Accounts opened with names very close to other established business entities
- Suspicious Background
- Suspicious background or links with known criminals
- Multiple Accounts
- Large number of accounts having a common account holder, introducer or authorized Signatory with no rationale
- Unexplained transfers between multiple accounts with no rationale
- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant accounts
- Account used for circular trading
- Nature of Transactions
- Unusual or unjustified complexity
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off market transactions
- Value of transactions
- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Block deal which is not at market price or prices appear to be artificially inflated/deflated

*Digital*

## **REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA**

In terms of the PML Rules, intermediaries are required to report information relating to cash and suspicious transactions to:

Director, FIU-IND

Financial Intelligence Unit-India

6<sup>th</sup>. Floor, Hotel Samrat

Chanakyapuri,

New Delhi 110021 Website : <http://fiuindia.gov.in>

Reporting requirements and formats are available on the website under – Section Obligation of Reporting Entity – Furnishing Information-Reporting Format. The technical procedures are detailed in these documents.

The reporting schedule is:

The Cash Transaction Report (CTR) – 15<sup>th</sup> of the succeeding month

The Suspicious Transaction Report (STR) – within 7 days of arriving at a conclusion that transaction is of a suspicious nature.

The Non Profit Organization Transaction Reports (NTRs) – 15<sup>th</sup> of the succeeding month.

No NIL reporting is required to be done.

The Principal Officer will be responsible for filing the reports, and utmost confidentiality is to be maintained.

For Cash Transaction Reporting (This is not applicable as we have no cash dealings)

For Suspicious Transactions Reporting

We will make a note of a Suspicious Transaction that has not been explained to the satisfaction of the Principal Officer and thereafter report the same to the FIU IND in the required deadlines (STR to be filed not later than seven working days on being satisfied that the transaction is suspicious). This will typically be in cases where we suspect, or have reason to suspect:

- the transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any transaction reporting requirements,
- the transaction is designed, whether through structuring or otherwise, to evade any requirements of PMLA Act and Rules framed thereof
- the transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and we know, after examining the background, possible purpose of the transaction and other facts, and have received no reasonable explanation for the transaction, or
- the transaction possibly facilitates criminal activity.



We will not base our decision on whether to file a STR solely on whether the transaction falls above a set financial threshold. The STR is to be filed within 7 days of arriving at a decision determining a Transaction to be of a Suspicious nature and notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist, or corrupt activities. FIU details:

All STRs filed will be reported quarterly to the Board of Directors.

We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the PMLA and Rules there under. All are clearly reminded of the need to maintain absolute confidentiality of the STRs. Also no actions like account restrictions or any other act/omission that may lead to information to the client.

### **CONFIDENTIAL REPORTING OF AML NON COMPLIANCE**

Employees will report any violations of the company's AML/CFT compliance program to the Principal Officer, unless the violations implicate the Compliance/Principal Officer, in which case the employee shall report to the Designated Director, Shri Sanjay Kaul. Such reports will be confidential, and it is clearly stated that the employee's efforts shall be respected.

### **MAINTENANCE OF RECORDS**

For the purpose of record keeping, we should ensure compliance with the requirements in the SEBI Act, Rules and Regulations made there under, PMLA, Exchange and Depository Rules, Regulations and Circulars issued from time to time and also keep in mind other relevant laws e.g. Income Tax Act , Companies Act and other legislation.

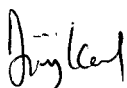
### **AML/CFT Record Keeping**

The PMLA prescribes maintenance of record of all transactions the nature and value of which has been prescribed in the Rules under the PMLA, which include:

All cash transactions of the value of more than Rs.10 lakh or its equivalent in foreign currency,

All series of cash transactions integrally connected to each other which have been valued below Rs.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 Rs.10 lakhs or its equivalent in foreign currency

All suspicious transactions whether or not made in cash and including inter alia, credits or debits into from any non monetary account such as demat account, security account maintained by the registered intermediary.



**a. STR Maintenance and Confidentiality**

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

**b. Responsibility for AML Records and STR Filing**

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

**c. Records Required**

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

The Principal Officer will be responsible for the maintenance for following records:

- all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month;
- 1) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- all suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith -
  - gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
  - appears to be made in circumstances of unusual or unjustified complexity; or
  - appears to have no economic rationale or bonafide purpose; or
  - gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

The records shall contain the following information:

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

The records will be updated on daily basis, and in any case not later than 5 working days  
The records maintained should provide the relevant information in respect of client particulars (beneficial owner) as well as financial data of transactions and monies received and paid. It must be remembered at all times that Cash Transactions are strictly prohibited in the Broking Segment. We can accept cash from clients for payment of depository charges, but cheques should be encouraged as far as is possible. However cash paid by a depository client exceeding Rs.2500/- should be referred to a senior prior to acceptance.

*Jyoti*



## **Retention of records**

The following document retention periods are to be observed:

All necessary records on transactions should be maintained at least for the minimum period of eight years from the date of cessation of a client's account.

This record includes customer identification documents ( identity documents taken at the time of account opening e.g. KYC download, PAN card, Aadhar card etc.) as well as any documents received for updation /modifications e.g. bank accounts, address change. The correspondence should also be kept for the same period.

Records of transaction details are also to be maintained for ten years.

Please remember that all records are to be maintained and not merely for those where STR has been filed.

Additionally, records relating to any matter under an ongoing investigation are to be retained till the Relevant Authority advises of closure.

## **EMPLOYEE HIRING**

Although the company has only one office and no branches, it is still relevant to keep basic precautions in mind before hiring of employees. Since the business of Stock broking and Depository are both extremely confidential in nature, it is of prime importance that the prospective employee is of good character and high integrity. Reference from previous employer(s) as far as is possible and also reference to our known person for verification and recommendation. There should not be the slightest doubt in the person's past record of any impropriety, or other unacceptable conduct. The SEBI and other websites should also be checked for their banned lists.

## **STAFF TRAINING & AWARENESS**

All Staff are requested to read and update themselves with circulars, literature and other information issued by the Regulatory Authorities like SEBI, the Exchanges, the Depositories from time to time. These circulars are provided and it is important that all staff read and discuss any doubts, suggestions that may arise. In fact the company welcomes all ideas and suggestions on this subject.

The staff members are encouraged to attend seminars and other educational meetings to learn, update and broaden their understanding of the PML Act in letter and spirit. There would be differing requirements for the staff depending on their functions. Also staff members should share the information with and brief the others after attending seminars/conferences.

The focus and attention should be accordingly programmed for the front end staff and the back office staff so that they are familiar with the risk management in transacting and induction of new clients, compliance and application of the obligations and requirements consistently.

The company is formalizing the inhouse meetings/sessions, which updates for regulatory changes, the practical implications, and generally to brief each other on our own work areas for better understanding. It is intended that such meetings be held once in a quarter.



### **MONITORING EMPLOYEE CONDUCT & ACCOUNTS**

We will subject employee accounts to the same AML procedures as customer accounts, under the supervision of the Principal Officer. We will also review the AML performance of supervisors, as part of their annual performance review. The Principal Officer's accounts will be reviewed by the Board of Directors

### **PROGRAM TO TEST AML PROCEDURES**

The testing of our AML/CFT program will be performed by the Auditors of the company, and any deficiencies/ weaknesses observed shall be reported to the Management.

### **INVESTOR AWARENESS & EDUCATION:**

The implementation of AML/CFT measures requires the clients to give information which may be of a personal nature or even considered unwarranted by the client. This is because such information was not required to be even asked for in the past. Such information may include documents for source of funds/tax returns/bank records etc. This may lead to questions by clients as to motive and purpose of collecting such information.

It is therefore a need to sensitize clients about these requirements of law arising from the AML legislation and the duty cast on the intermediaries. Queries from our office to clients should be only through a senior person and with complete confidentiality.

### **APPROVAL**

This updation of the Policy under PMLA 2002 was approved by the Designated Director and is issued after the Boards approval

### **REVIEW PROCEDURE**

The Principal Officer should bring all significant changes in the PML Act to the notice of the Designated Director, and addendum/revision may be issued as necessary.

However, it is important to revisit the Policy and Procedures in entirety at least once a year so that updation / consolidation is done, such review should be done preferably in the first quarter of the financial year

For FE Securities Private Ltd

  
Director

(Divij Kaul)

Copy to: All Operations Staff/ Authorised Person

Date: 23<sup>rd</sup> June 2022