

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 and SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated 03 February 2023)

PREAMBLE AND OVERVIEW

The Prevention of Money Laundering Act, 2002 (PMLA 2002) and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 is the legal core to combat money laundering and terrorism financing in India. The Act and the Rules came into force w.e.f. 1st 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) vide



their notification no. ISD/CIR/PR/AML/1/06 DATED 18th January 2006 and vide letter no. ISD/CIR/RR/AML/2/06 DATED 20th March 2006 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act 1992. SEBI updated guidelines via circular no. CIR/MIRSD/1/2014 dated 12th March 2014, and sebi/HO/MIRSD/DDS3/CIR/P/2018/104 dated 4th July 2018 and SEBI/HO/MIRSD/DoP/CIR/P/2019/113 dated 15th October 2019 and further updated with recent circular SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated 3rd February 2023. 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

POLICIES AND PROCEDURES TO COMBAT MONEY LAUNDERING AND TERRORIST FINANCING

Essential Principles:

These Directives have taken into account the requirements of the PMLA as applicable to the intermediaries registered under Section 12 of the SEBI Act. The detailed Directives have outlined relevant measures and procedures to guide the registered intermediaries in preventing ML and TF. Some of these suggested measures and procedures may not be applicable in every circumstance. We shall consider carefully the specific nature of its business, organizational structure, type of client and transaction, etc. to satisfy ourself that the measures taken by us are adequate and appropriate and follow the spirit of the suggested measures and the requirements as laid down in the PMLA and guidelines issued by the Government of India from time to time.

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In case there is a variance in Client Due Diligence (CDD)/ Anti Money Laundering (AML) standards specified by SEBI and the regulators of the host country, We require to adopt the more stringent requirements.

Obligation to establish policies and procedures

Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that all registered intermediaries ensure the fulfillment of the aforementioned obligations.

To be in compliance with these obligations, our senior management are fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring our effectiveness and compliance with all relevant legal and regulatory requirements. We will –

*Issue a statement of policies and procedures, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements;

*Ensure that the content of these Directives are understood by all staff members;

*Regularly review the policies and procedures on the prevention of ML and TF to ensure our effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures;

*Adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF;

*Undertake CDD measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction;

*Have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and

*Develop staff members' awareness and vigilance to guard against ML and TF.

Policies and procedures to combat ML and TF shall cover:

Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc, whether in branches, departments or subsidiaries;

Client acceptance policy and client due diligence measures, including requirements for proper identification;

Maintenance of records;

Compliance with relevant statutory and regulatory requirements;

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Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and

Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard; and,

The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

ANTI MONEY LAUNDERING PROCEDURES

We, FE Securities Pvt Ltd have adopted written procedures to implement the anti-money laundering provisions as envisaged under the PMLA. Such procedures included inter alia, the following four specific parameters which are related to the overall 'Client Due Diligence Process':

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 our 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.

We undertake enhanced due diligence for clients of Special Category (CSC) like NRIs, HNI clients, Trust, Charities NGOs etc.

We have adopted the Video based customer identification process for non face to face clients. We have also adopted the policy not to open an account where we are unable to apply appropriate CDD measures.

Risk Management

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:

- *Low risk clients
- *Medium risk clients
- *High risk clients
- *Clients of Special Category (CSC)

The broad parameters for risk categorization are indicated:

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Low risk clients

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

Medium risk clients

Intra- day clients or speculative clients.

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.

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), 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.

MONITORING OF TRANSACTIONS

It is very important to us to 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)

We 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 is 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.
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- * 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

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- 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
- lock deal which is not at market price or prices appear to be artificially inflated/deflated

CLIENT DUE DILIGENCE (CDD) PROCESS

The CDD measures comprise the following:

We obtain 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;

Verify the client's identity using reliable, independent source documents, data or information;
Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted -

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

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

Controlling ownership interest means ownership of entitlement to:

- * more than 10% of shares or capital or profits of the juridical person, where the juridical person is a company;
- * more than 10% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- * more than 10% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

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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 there is 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, we identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the author 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: We deal with foreign investors' guided by SEBI Master Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19,2022 and amendments there to, if any, for the purpose of identification of beneficial ownership of the client;

-We monitor the compliance of the aforementioned provision on identification of beneficial ownership through half yearly internal audits.

-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 (iii);

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

-We review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be, when there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained client identification data;

We are committed to periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

POLICY FOR ACCEPTANCE OF CLIENTS

We FE Securities Pvt Ltd, registered intermediaries 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, they 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:

We do not allow the opening of or keep any anonymous account or account in fictitious names or account on behalf of other persons whose identity has not been disclosed or cannot be verified;

Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher; Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile;

We undertake enhanced due diligence measures as applicable for Clients of Special Category (CSC). CSC shall include the following:

Non - resident clients;

High net-worth clients;

Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations;

Companies having close family shareholdings or beneficial ownership;

Politically Exposed Persons (PEP). PEP are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP as contained in the subsequent paragraph 14 of this circular shall also be applied to the accounts of the family members or close relatives of PEPs;

Clients in high risk countries. While dealing with clients from or situate in high risk countries or geographic areas or when providing delivery of services to clients through high risk countries or geographic areas i.e. places where existence or effectiveness of action against money laundering or terror financing is suspect, we apart from being guided by the FATF statements that inter alia identify such countries or geographic areas that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org) from time to time, shall also independently access and consider other publicly available information along with any other information which they may have access to. However, this shall not preclude us from entering into legitimate transactions with clients from or situate in such high risk countries and geographic areas or delivery of services through such high risk countries or geographic areas;

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Non face to face clients. Non face to face clients means clients who open accounts without visiting the branch/offices of the registered intermediaries or meeting the officials of the registered intermediaries. Video based customer identification process is treated as face-to-face onboarding of clients;

Clients with dubious reputation as per public information available etc;

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

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.

We ensure that an account is not opened where we will unable to apply appropriate CDD measures. This will apply in cases where it is not possible to ascertain the identity of the client, or the information provided to us is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. We will 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. We are cautious to ensure that it does not return securities or money that may be from suspicious trades. However, we will consult the relevant authorities in determining what action it will 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 ML/TF.

We are committed to register the details of a client, in case of client being a non profit organization, on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after a business relationship has ended or the account has been closed, whichever is later as per the guidelines.

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.

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

We are in compliance with the following requirements while putting in place a CIP:

We pro actively put in appropriate risk management systems to determine whether our client or potential client or the beneficial owner of such client is a politically exposed person. Such

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procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs.

We obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, we obtain senior management approval to continue the business relationship.

We also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.

The client shall be identified using reliable sources including documents / information. We obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.

The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the us in compliance with the directives.

Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the intermediary.

SEBI has specified the minimum requirements relating to KYC for certain classes of registered intermediaries from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been specified or which may be specified by SEBI from time to time, all registered intermediaries shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices.

Further, we conduct on going due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA.

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

It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available from obtaining the minimum information/documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the

RELIANCE ON THIRD PARTY FOR CARRYING OUR CLIENT DUE DILIGENCE (CDD)

We rely on a third party for the purpose of -

identification and verification of the identity of a client and

Determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party

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

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

We will immediately obtain necessary information of such client due diligence carried out by the third party;

We take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;

We satisfy that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;

The third party is not based in a country or jurisdiction assessed as high risk;

RISK MANAGEMENT

Risk-based Approach

We have adopted a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have policies approved by their senior management, controls and procedures in this regard. Further, we monitor the implementation of the controls and enhance them if necessary from time to time.

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

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

Risk Assessment

We carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc.

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

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The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions

MONITORING OF TRANSACTION

Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. This is possible only if the intermediary has an understanding of the normal activity of the client so that it can identify deviations in transactions

We pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. The intermediary may specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose there of shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIU-IND/ other relevant Authorities, during audit, inspection or as and when required.

We have adopted client due diligence measures also to existing clients on the basis of materiality and risk, and conduct due diligence on such existing relationships appropriately. The extent of monitoring shall be aligned with the risk category of the client.

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

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

Suspicious Transaction Monitoring and Reporting

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

A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:

- Clients whose identity verification seems difficult or clients that appear not to cooperate;
- Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing /business activity;
- Clients based in high risk jurisdictions;
- Substantial increases in business without apparent cause;

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Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;

Attempted transfer of investment proceeds to apparently unrelated third parties;

Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services.

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

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

Paragraph 12 (iii) (f) of this Circular categorizes clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as "CSC". Registered intermediaries are directed that such clients shall also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

Record Management

Information to be maintained

Registered Intermediaries are required to maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

the nature of the transactions;

the amount of the transaction and the currency in which it is denominated;

the date on which the transaction was conducted; and

the parties to the transaction.

Record Keeping

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

We maintain such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour.

In case of any suspected laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, registered intermediaries shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

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

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

More specifically, we put in place a system of maintaining proper record of the nature and value of transactions which has been prescribed under Rule 3 of PML Rules as mentioned below:

* all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;

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

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

* all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;

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

Retention of Records

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

Angela

However as per SEBI Circular SEBI/HO/MRD2/DDAP/CIR/P/2020/153, it has been made mandatory for Depository and Depository Participants to preserve the records and documents for a minimum period of **eight years**.

As stated in paragraph 13 and 14, registered intermediaries are required to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.

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

We have ensured to maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the intermediary.

PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES

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.

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

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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

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 will 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.

The Stock exchanges and the registered intermediaries shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA) and amendments thereto, they do not have any accounts in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC).

In order to ensure expeditious and effective implementation of the provisions of Section 51A of UAPA, Government of India has outlined a procedure through an order dated February 02, 2021 (Annexure 1) for strict compliance. These guidelines have been further amended vide a Gazette Notification dated June 08, 2021 (Annexure 2).

Angela

List of Designated Individuals/ Entities

The Ministry of Home Affairs, in pursuance of Section 35(1) of UAPA 1967, declares the list of individuals/entities, from time to time, who are designated as 'Terrorists'. The registered intermediaries shall take note of such lists of designated individuals/terrorists, as and when communicated by SEBI.

All orders under section 35 (1) and 51A of UAPA relating to funds, financial assets or economic resources or related services, circulated by SEBI from time to time shall be taken note of for compliance.

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <https://press.un.org/en/content/press-releases>. The details of the lists are as under:

The "ISIL (Da'esh) & Al-Qaida Sanctions List", which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at: <https://www.un.org/securitycouncil/sanctions/1267/press-releases>.

The list issued by United Security Council Resolutions 1718 of designated Individuals and Entities linked to Democratic People's Republic of Korea www.un.org/securitycouncil/sanctions/1718/press-releases.

We ensure that accounts are not opened in the name of anyone whose name appears in said list. Registered intermediaries shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list.

The Stock Exchanges and the registered intermediaries shall maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether the designated individuals/entities are holding any funds, financial assets or economic resources or related services held in the form of securities with them.

The Stock exchanges and the registered intermediaries shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions carried through or attempted in the accounts covered under the list of designated individuals/entities under Section 35 (1) and 51A of UAPA.

Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to the Central [designated] Nodal Officer for the UAPA, at Fax No.011-23092551 and also conveyed over telephone No. 011-23092548. The particulars apart from being sent by post shall necessarily be conveyed on email id: jsctcr-mha@gov.in.

The Stock exchanges and the registered intermediaries shall also send a copy of the communication mentioned above to the UAPA Nodal Officer of the State/UT where the account is held and to SEBI and FIU-IND, without delay. The communication shall be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of

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SEBI, Deputy General Manager, Division of FATF, Market Intermediaries Regulation and Supervision Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot No.C7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051. The consolidated list of UAPA Nodal Officers is available at the website of Government of India, Ministry of Home Affairs.

Jurisdictions that do not or insufficiently apply the FATF Recommendations

FATF Secretariat after conclusion of each of its plenary, releases public statements and places jurisdictions under increased monitoring to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing risks. In this regard, FATF Statements

Circulated by SEBI from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered by the registered intermediaries.

1. We will take into account the risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statements. However, it shall be noted that the regulated entities are not precluded from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statements.

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

6th Floor, Tower-2 Jeevan Bharati Building

Connaught Place, New Delhi-110001 INDIA

Telephone : 91-11-23314429, 23314459

91-11-23319793 (Helpdesk) Email : helpdesk@fiuindia.gov.in

(For FINnet and general queries)

ctrcell@fiuindia.gov.in

Complaints@fiuindia.gov.in

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) – 15th 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) – 15th of the succeeding month.

No NIL reporting is required to be done.

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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.

APPOINTMENT OF A 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).

Anil Kumar

APPOINTMENT OF A 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.

HIRING OF EMPLOYEES

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.

Training of Employees

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.

INVESTOR 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.

Sanjay

Repeal and Savings

On and from the issue of this Circular, the circulars listed out in the Appendix to this Circular shall stand rescinded. Notwithstanding such rescission, anything done or any action taken or purported to have been done or taken, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular.

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: 21st June 2023