

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

Policy Framework and Procedure Manual

Of

**Garg Securities Private Limited
(Stock Broking & Depository Services)**

For

**Prevention Of Money Laundering (PMLA) /
Combating Financing of Terrorism (CFT)**

(Policy Authored By – VIJAY KUMAR GUPTA.)

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

BACKGROUND:

Money Laundering (ML) may be defined as cleansing of dirty money obtained from legitimate or illegitimate activities including drug trafficking, terrorism, organized crime, fraud and many other crimes with the objective of hiding its source and rendering it in legally usable form. It is any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources. The process of money laundering involves creating a web of financial transactions so as to hide the origin of and true nature of these funds.

Successful money laundering activity spawning yet more crime exists at a scale that can and does have a distorting and disruptive effect on economies, marketplaces, the integrity of jurisdictions, market forces, democracies etc. It is in short a cancer, existing for one purpose only, to make crime and illegal activity worthwhile.

The General Assembly of United States adopted the political declaration and global program of action in 1990 in its worldwide drive against money laundering and also enjoined upon member states to adopt legislation and program against laundering on a national level.

To combat money-laundering activities, the Government of India enacted the Prevention of Money Laundering Act, 2002 (hereinafter referred to as the "Act") on January 17, 2003.

The basic objective of the Act is three fold, viz.:

- ❖ To prevent, combat and control money laundering.
- ❖ To confiscate and seize the property obtained from the laundered money.
- ❖ To deal with any other issue connected with money laundering in India.

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, Government of India. The PMLA has been further amended vide notification dated March 6, 2009 and inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as prescribed in Section 12 A read with Section 24 of the Securities and Exchange Board of India Act, 1992 (SEBI Act) and will now be treated as a scheduled offence under Schedule B of the PMLA.

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

As per the provisions of the PMLA, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under Section 12 of the SEBI Act , shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA.

Securities and Exchange Board of India (hereinafter referred to as SEBI) vide its Circular Ref No.: ISD/CIR/RR/AML/1/06 dated January 18, 2006 laid down broad guidelines on Anti Money Laundering Standards. As per the Circular, all the intermediaries registered with SEBI under Section 12 of the SEBI Act were advised to ensure that a proper policy framework on anti-money laundering measures was put in place. This was essentially in conformity with the Prevention of Money Laundering Act, 2002 and the Rules framed there under by SEBI.

In the light of Circulars issued by National Stock Exchange of India Ltd (hereinafter referred to as "NSE") and Circulars issued by Bombay Stock Exchange Ltd. (hereinafter referred to as "BSE"), in continuation to the new circular of Securities and Exchange Board of India (hereinafter referred to as "SEBI") SEBI Circular No. ISD/AML/CIR-1/2009 dated September 01, 2009 has issued additional requirements to be fulfilled and clarifications with regard to existing requirements mentioned in the Master Circular on Anti Money Laundering (AML) issued vide SEBI circular no. ISD/AML/CIR-1/2008 dated December 19, 2008.

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.

For the purpose of implementing the provisions of Prevention of Money Laundering Act and Guidelines issued thereunder, GARG SECURITIES PRIVATE LIMITED (hereinafter "the Company") have adopted a Policy Framework on Anti Money Laundering and Combating Financing of Terrorism.

THE MONEY LAUNDERING PROCESS:

Money can be obtained illegally from various criminal activities like drug trafficking, terrorism, organized crime and fraud. As criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activities and provide a legitimate cover for their source of income they usually follow three stages:

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

- (A) PLACEMENT:** This is where the criminal proceeds are first injected into the system. It is also the stage where those who are educated, briefed and alert to the process of money laundering, have the best chance of detecting what is happening and are thus best able to thwart and disrupt the process at the outset. At this stage, very often larger amounts of money are divided and distributed into smaller amounts to avoid suspicion and then paid into a series of bank accounts, arose to purchase securities, or life policies or other assets, sometimes many kinds of assets, all to achieve the prime purpose of being able to inject the tainted money or value into the legitimate mainstream financial/business system. Eg: A criminal having huge crime proceeds in form of cash, can deposit this cash in bank accounts maintained with difference banks, in the name of his relatives, friends and associates, in small amounts.
- (B) LAYERING:** After the injection has taken place and the tainted money or value has entered and become mixed up in the main mass of money or value in the financial system, it is spun around different accounts, different names, different ownerships, plus different instruments and investments. All these movements are designed to disguise the origins of the money or value and thus confuse those who might be attempting to trace the money or value back to the root, criminal source. Facilitated by the birth of electronic funds transfer technology the fast movement of funds through multiple jurisdictions often with different laws, creates major problems for investigators of identification, access and ultimately achieving successful prosecutions.
- (C) INTEGRATION:** Placing the laundered proceeds back into the economy in such a way that they re-enter the financial system as apparently legitimate funds. Integration means the reinvestment of those funds in an apparently legitimate business so that no suspicion of its origin remains and to give the appearance of legitimizing the proceeds.

MONEY LAUNDERING IN INDIA:

With the growing financial sector, India is vulnerable to money laundering activities. Some common sources of illegal proceeds in India are narcotics trafficking, illegal trade in gems, smuggling, corruption and income tax evasion. Large portions of illegal proceeds are laundered through the alternative remittance system called "hawala". Under this system, individuals transfer funds from once country to another or from one state to another, often without the actual movement of currency.

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

PREVENTION OF MONEY LAUNDERING ACT, 2002:

To combat money-laundering activities, the Government of India enacted the Prevention of Money Laundering Act, 2002 (hereinafter referred to as the "Act") on January 17, 2003.

Section 3 of the Prevention of Money Laundering Act, 2002 defines the offences or laundering. In terms, of this section whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of an offence of money laundering.

The term proceeds of crime have been defined under Section 2(u) of the Act viz: "Any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property."

The said section broadly states that if a person is involved in the process of projecting proceeds of crime as untainted property then he shall be guilty of money laundering, for indulging in the said process of the following three elements / activities shall play a very important role:

Possession or ownership of the proceeds of crime or property acquired from proceeds of crime, which is being reflected as untainted property.

Transactions relating to proceeds of crime like converting its form.

Concealment of the original transaction and/or creating ghost transactions from concealing actual transactions. E.g. Possessing Benami Property, Unexplained cash credits, unexplained expenditure, bogus or fictitious accounts, unexplained investments.

APPLICABILITY:

The Prevention of Money Laundering Policy applies to Garg Securities Pvt Ltd.

In terms of rules framed under the Act, inter alia, every intermediary shall:

- a) Maintain a record of all transactions, the nature and value of which may be prescribed, whether such transactions comprise of single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month.

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

- b) Furnish information of transactions referred to in Clause (a) to the Director within such time as may be prescribed.
- c) Verify and maintain the records of the identity of all its Clients, in such a manner as may be prescribed

As per provision of section 2(n) of the Act, term "Intermediary" means:

"A stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).

Further in terms of rules made under the Act, all intermediaries shall maintain a record of:

- a) All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- b) All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month;
- c) All cash transaction 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;
- d) All suspicious transactions whether or not made in cash; identity and current address or addresses including permanent address or addresses of the Client, the nature of business of the Client and his financial status; Provided that where it is not possible to verify the identity of the Client at the time of opening an account or executing any transaction, the banking company, financial institution and intermediary, as the case may be, shall verify the identity of the Client within a reasonable time after the account has been opened or the transaction has been executed

Under these circumstances the Act, applies to Garg Securities Pvt. Ltd.

IMPLEMENTATION OF THE ABOVE REQUIREMENTS FOR OUR ACTIVITIES:

The Company is into the following activities:

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

(A) Institutional Broking

Institutional Broking is being carried out only with reputed institutions, banks and mutual funds. There are no complexes or unusual transactions with no apparent economic or visible or lawful purpose. Therefore, there is no need for a policy for anti-money laundering in institutional broking. All trades are custodial trades and all payments are through proper banking channels

(B) Retail Broking

We are following KYC norms before enlisting clients. We are also ensuring that all trades are settled through the banking channels and that all shares are electronically transferred to the beneficial owner through settlement systems of the exchanges. However, in order to ensure monitoring of large transactions, a report on all the Clients whose trade turnovers in Cash Market Segment are above Rs.10 lakh per month are reported on monthly basis by Compliance Department to the Principal Officer of the Company. The Compliance department would examine the patterns to determine whether there is a prima facie evidence of money laundering activity and ask concerned departments to call for any information that may be deemed necessary. The back office would provide the data to the Compliance department on monthly basis by 1st of the following month. The Compliance Department of the Company will prepare the report on the same and submit to the Principal Officer of the Company under PMLA, 2002

(B) Depository Participant

Depository activity involves transfer of shares and shares have monetary value, As such, depository activity has been brought within the purview of the PMLA Policy.

We follow KYC norms for opening accounts with our depository. We are also ensuring that all trades are settled through the banking channels and that all shares are electronically transferred to the beneficial owner through settlement systems of the exchanges In certain cases, the shares are transferred from one account to another by way of Physical Delivery Instruction Slips. However, in order to monitor transactions in dormant accounts, alerts would be generated and immediately reported to the Risk Management and the Compliance Department.

Depository department is already having a separate PMLA policy with regard to their operations, which will also be applicable to them in addition to this policy. But this policy will supersede with the policy of Depository.

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

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 the Company should ensure the fulfillment of all the statutory obligations.

To be in compliance with these obligations, the Senior Management of the Company shall be fully committed to establishing appropriate policies and procedures for the prevention of Money Laundering (ML) and Terrorist Financing (TF) and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The Company shall:

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

POLICIES AND PROCEDURES TO COMBAT ML SHALL COVER:

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

- a) Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;
- b) Client acceptance policy and client due diligence measures, including requirements for proper identification;
- c) Maintenance of records;
- d) Compliance with relevant statutory and regulatory requirements;
- e) Co-operation with the relevant law enforcement authorities, including the timely disclosure of information;
- f) Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

WRITTEN DOWN ANTI MONEY LAUNDERING PROCEDURES:

Garg Securities Pvt. Ltd. shall adopt written procedures to implement the anti money laundering provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following three specific parameters, which are related to the overall 'Client Due Diligence Process':

- a) Policy for acceptance of clients.
- b) Procedure for identifying the clients.
- c) Transaction monitoring and reporting especially Suspicious Transactions Reporting (**STR**).

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

CLIENT DUE DELIGENCE:

- a) Obtaining sufficient information in order to identify persons who beneficially own or control the 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 should be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement;
- b) Verify the customer's identity using reliable, independent source documents, data or information;
- c) Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the customer and/or the person on whose behalf a transaction is being conducted;
- d) Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c); and
- e) Understand the ownership and control structure of the client.
- f) Conduct ongoing due diligence and scrutiny, i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the customer, its business and risk profile, taking into account, where necessary, the customer's source of funds.
- g) The Company shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

POLICY FOR ACCEPTANCE OF CLIENTS:

The Company shall develop Client Acceptance Policies And Procedures that aim to identify the types of clients that are likely to pose a higher than average risk of ML or TF. By establishing such policies and procedures, the Company 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:

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

- a) No account is opened in a fictitious / benami name or on an anonymous basis.
- b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters should enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.
- c) Documentation requirement and other information to be collected in respect of different classes of clients depending on 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. Refer to list of documents to be collected alongwith KYC, given below.
- d) Ensure that an account is not opened where the dealing officers of the Company is unable to apply appropriate clients due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to the intermediary is suspected to be non-genuine, perceived non-cooperation of the client in providing full and complete information. The Company should not continue to do business with such a person and file a suspicious activity report. The dealing officers of the Company should also evaluate whether there is suspicious trading in determining in whether to freeze or close the account. The Company should be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, necessary consultation should be made with the relevant authorities in determining what action it should take when it suspects suspicious trading.
- e) The circumstances under which the client is permitted to act on behalf of another person / entity should be clearly laid down. It should be specified in what manner the account should 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 us, as well as the person on whose behalf the agent is acting should be clearly laid down). Adequate verification of a person's authority to act on behalf the customer should also be carried out.

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

- f) 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. Follow the Client identification procedure given below.
- g) The Dealing Officer(s) shall necessarily revisit the CDD process when there are suspicions of Money Laundering or Financing of Terrorism.

RISK BASED APPROACH:

It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, the Company shall apply each of the Client Due Diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the Company shall adopt an enhanced client due diligence process for higher risk categories of clients.

Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that the Company shall obtain necessarily 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.

CLIENT CATEGORIZATION:

Each client shall be marked into 3 Categories, namely High Risk, Medium Risk and Low Risk. The clients will be placed under Low, Medium and High Risk category based on their Turn Over per day.

Corporate / HNI having respectable social and financial standing, Clients who make payment on time and take delivery of shares can be considered Low Risk Clients.

Intra-Day clients or speculative clients whose turnover is not in line with the financials declared are considered as Medium Risk clients.

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

Clients doing large activity in Dormant Account, trading on a regular basis in illiquid scrips in large volume and quantity, those who have defaulted in the past and have suspicious background are to be considered as High Risk Clients.

The Exchange specifies a list of Illiquid Securities where higher due diligence is to be exercised by the Broker. The list is displayed in the official web-sites of the NSE and BSE for the information of Client. The trade pattern in such scrips by the clients of the Company should be monitored. In case of trading in high volumes in any such illiquid scrips compared to Exchange Volume, the Client shall be asked to submit necessary clarification.

CLIENTS OF SPECIAL CATEGORY (CSC):

The below-mentioned categories of clients have been classified as Clients of Special Category and are considered to be High Risk Clients. The categories are as follows:

- a) Non resident clients;
- b) High networth clients;
- c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations;
- d) Companies having close family shareholdings or beneficial ownership;
- e) Politically Exposed Persons (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP as contained in Client Identification Procedure of this policy document shall also be applied to the accounts of the family members or close relatives of PEPs;
- f) Companies offering foreign exchange offerings;
- g) Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent. While dealing with

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

clients in high risk countries where the existence/effectiveness of money laundering control is suspect, intermediaries apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org), shall also independently access and consider other publicly available information;

- h) Non face to face clients;
- i) Clients with dubious reputation as per public information available etc.;
- j) Cash transactions involving counterfeit notes or currencies or any forgery of valuable securities or documents for enabling transactions.
- k) Minors
- l) Housewives;
- m) Senior Citizens;
- n) Illiterate and Blind;

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

CLIENT IDENTIFICATION PROCEDURE:

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

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

- a) All registered intermediaries shall proactively put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

of PEPS. Further, the enhanced CDD measures and shall also be applicable where the beneficial owner of a client is a PEP.

- b) The Dealing Officers of the Company are required to obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, the Dealing Officers of the Company shall obtain senior management approval to continue the business relationship.
- c) The Company shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- d) The client shall be identified by the Dealing Officers of the Company by using reliable sources including documents / information. The Dealing Officers of the Company shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- e) The Client's identification should be clearly verified while registering the said client. The dealing officers of Company should verify the documents submitted by the Client with the originals and after satisfying with the details, the Dealing Officer of the Company should put the rubber stamp of Verified with originals and should be counter signed by the official who has verified the documents in original. The Dealing Officer of the Company should verify the PAN with the website of Income Tax Department, to check the name and the PAN given by the client. Preferably, the Dealing Officer of the Company should also speak to the client as well as the introducer over telephone number provided by the Client and Introducer, independently.
- f) The information collected by the Dealing Officers of the Company must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the Dealing Officers in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.
- g) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported by the Dealing Officers to the Compliance Officer of the Company.
- h) The Client Identification programme for existing clients should be carried out by the Compliance Department once in every six months by way of conducting In-Person Verification and collecting of various documents from the clients. The Dealing Officers should collect financial documents (Bank Statement / Demat

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

Statement – Not more than 2 months old) as well as PAN Card and recent coloured passport sized photographs of the clients.

CUSTOMER IDENTIFICATION PROCEDURE :

Objective to have a mechanism in place to establish identity of the client along with firm proof of address to prevent opening of any account which is fictitious / benami / anonymous in nature.

Reliance on third party for carrying out Client Due Diligence (CDD): We rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner, But we finally responsible for CDD and undertaking enhanced due diligence measures, as Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/guidelines issued by SEBI time to time.

Further, as per new clause 5 of part II, after sub clause 5.5,

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

KNOW YOUR CLIENT (KYC) NORMS:

SEBI has prescribed 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 prescribed, or which may be prescribed by SEBI from time to time, the Company shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices. Further, the Company shall conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued there under so that the Company is aware of the clients on whose behalf it is dealing.

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

The Company 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 and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients. PML Rules have recently been amended vide notification No. 13/2009 dated November 12, 2009 and need to be adhered to by the Company.

It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to the Company from obtaining the minimum information/documents from clients regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by the Company. The Company shall strictly implement this.

LIST OF DOCUMENTS TO BE COLLECTED ALONGWITH KYCS:

Individual, HUF and Minor:

- b) Recent Coloured Passport Sized Photograph of the client.
- c) Proof of residence (any two of Passport/ Driving License / Voters' ID Card / Ration Card/ Any other photo-id registration etc.).
- d) Photocopy of Photo PAN Card.
- e) Photocopy of Client Master Report / Holding Statement (not more than two months old)/ Transaction Statement (not more than two months old) for the Demat Account(s).
- f) Photocopy of recent Bank Statement (not more than two months old)/ Bank Pass Book or Letter from Banker along with the photocopy of the cheque leaf.

Corporate and Trust:

- a) Recent Coloured Passport Sized Photograph of at least two Directors or two Trustees.

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

- b) Proof of residence (any two of Passport/ Driving License / Voters' ID Card / Ration Card / Any other photo-id registration etc.) of two Directors or two Trustees.
- c) Photocopy of PAN Card or I.T. Return acknowledgement or Declaration in Form 60 or Form 61 from the two Directors or two Trustees.
- d) Photocopy of Client Master Report / Holding Statement (not more than two months old) / Transaction Statement for the Demat Account(s) (not more than two months old) of the Company or Trust.
- e) Photocopy of recent Bank Statement (not more than two months old) / Bank Pass Book or Letter from Banker of the Company or Trust along with the photocopy of the cheque leaf.
- f) Board Resolution.
- g) Memorandum and Articles of Association / Trust Deed.
- h) Networth Certificate duly certified by Auditors.
- i) Income Tax Return and Annual Reports for the last 3 Financial Years.

Note: Any one of the Directors or Trustees to sign on all the pages and also on their respective photograph.

RECORD KEEPING:

The Company shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

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

Shall there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

reconstruction, the Company shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

- a) The beneficial owner of the account;
- b) The volume of the funds flowing through the account; and
- c) For selected transactions:
 - ❖ 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

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

The Company shall put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- a) All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- b) 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 and the aggregate value of such transactions exceeds rupees ten lakh;
- c) 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;
- d) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

RECORD KEEPING REQUIREMENT :

The Records of the identity of clients have to be maintained and preserved for a period of ten years from the date of cessation of transactions between the client and intermediary, i.e. the date of termination of an account or business relationship between the client and intermediary." Shall be substituted with as below :

"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 GSPL has ended or the account has been closed, whichever is later."

Further, SEBI circulars no CIR/MIRSD/1/2014, Dated 12.03.2014, in sub clause 8.1 of Part II regarding maintenance of records pertaining to transactions of clients: The words "for a period of ten years" shall be substituted with "for a period of five years".

And In sub clause 8.2 of Part II regarding maintenance of records pertaining to identity of clients" The words "The records of the identity of clients have to be maintained and preserved for a period of ten years from the date of cessation of transactions between the client and intermediary, i.e. the date of termination of an account or business relationship between the client and intermediary." Shall be substituted with the following:

"Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and reserved 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."

MAINTAINING INFORMATION:

The Company would maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

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

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

The Compliance team on a concurrent basis should review the above information.

RETENTION OF RECORDS:

The Company shall take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of 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 ten years from the date of transactions between the client and the Company.

The records of the identity of clients have to be maintained and preserved for a period of ten years from the date of cessation of transactions between the client and the Company, i.e. the date of termination of an account or business relationship between the client and the Company.

Thus the following document retention terms shall be observed:

- a) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.
- b) Records on client identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence shall also be kept for the same period.

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.

MONITORING OF TRANSACTIONS:

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

The Company shall pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. The Company may specify

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

internal threshold limits for each class of client accounts and pay special attention to transactions, which exceeds these limits.

The background including all documents / office records / memorandums / clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing.

Further such findings, records and related documents shall be made available to auditors and also to SEBI / Stock Exchanges / FIU-IND / other relevant Authorities, during audit, inspection or as and when required. These records are required to be preserved for ten years as is required under the PMLA.

In sub-clause 9.2 of Part II regarding monitoring of transaction: The words “preserved for ten years” shall be substituted with “maintained and preserved for a period of five years from the date of transaction between the client and the intermediary”.

The Company shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the Principal Officer / Designated Director / Compliance Officer of the Company.

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

SUSPICIOUS TRANSACTION - MONITORING:

Suspicious transactions involve funds derived from illegal activities or is intended or conducted in order to hide or disguise funds or assets derived from illegal activities (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any law or regulation or to avoid any transaction reporting requirement under the law; The transaction has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the financial institution knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.

It is difficult to define exactly what constitutes suspicious transactions and as such given below is a list of circumstances where transactions may be considered to be suspicious in nature. This list is only inclusive and not exhaustive. Whether a particular

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

transaction is actually suspicious or not will depend on the background, details of the transactions and other facts and circumstances.

- a) Complex /unusually large transactions/ patterns which appear to have no economic purpose.
- b) Client having suspicious background or links with known criminals.
- c) Clients whose identity verification seems difficult.
 - (i) False identification documents.
 - (ii) Identification documents which could not be verified within reasonable time.
 - (iii) Non face-to-face Client.
 - (iv) Doubt over the real beneficiary of the account
 - (v) Accounts opened with names very close to other established business entities
- d) Client appears not to co-operate.
- e) Use of different accounts by Client alternatively.
- f) Sudden activity in dormant accounts.
- g) Multiple accounts:
 - (i) Large number of account having a common account holder, authorized signatory with no rationale.
 - (ii) Unexplained transfers between multiple accounts with no rationale
- h) Asset management services for clients where the sources of funds is not clear or not in keeping with the clients' apparent standing/business activity.
- i) Substantial increase in business without apparent cause (Unusual activity compared to past transactions).
- j) Activity materially inconsistent with what would be expected from declared business.
- k) Inconsistency with clients apparent financial standing.
- l) Any account used for circular trading.

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

- m) Unusual transactions by Clients of Special Category (CSCs) and business undertaken by shell corporations, offshore banks/financial services and businesses reported to be in the nature of export-import of small items.
- n) A transaction which gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime.
- o) A transaction, which appears to be a case of insider trading.
- p) Transactions reflect likely market manipulations.
- q) Suspicious off market transactions.
- r) Value of transaction just under the reporting threshold amount in an apparent attempt to avoid reporting.
- s) Inconsistency in the payment pattern by the client.
- t) Trading activity in account of high-risk clients based on their profile, business pattern and industry segment.
- u) Accounts based as 'passed through'. Where no transfer of ownership of securities or trading is occurred in the account and the account is being used only for funds transfers / layering purposes.
- v) Large deals at prices away from the market.
- w) Suspicious off market transactions.
- x) Purchases made in one client's account and later on transferred to a third party through off market transactions through DP Accounts.
- y) Multiple transactions of value just below the threshold limit specified in PMLA so as to avoid possible reporting.

SUSPICIOUS TRANSACTION - REPORTING:

The Company shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions.

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

While determining suspicious transactions, the Company 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

- a) Clients whose identity verification seems difficult or clients that appear not to cooperate;
- b) Clients based in high risk jurisdictions;
- c) Substantial increases in business without apparent cause;
- d) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- e) Attempted transfer of investment proceeds to apparently unrelated third parties;
- f) Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export-import of small items;

Any suspicious transaction shall be immediately notified to the Compliance Officer of the Company. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/suspicion.

In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.

The Principal Officer/Compliance 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. The Company shall report all such

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

The Company would adhere to additional measures for those 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, enlisted as CSC. 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.

LIST OF DESIGNATED INDIVIDUALS/ENTITIES:

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>.
<http://www.un.org/sc/committees/1988/list.shtml>.

The Dealing Officers of the Company would ensure that accounts are not opened in the name of anyone whose name appears in said list.

The Dealing Officers of the Company shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU-IND.

The Dealing Officers shall concurrently identify demat accounts having common account holder with no economic rationale. Unexplained transfers between the multiple accounts with no rationale should also be traced.

The Dealing Officers shall concurrently identify transactions which is not in consonance with the financial status declared / shown by the client. Also unusual activities compared to past transactions, sudden activity in dormant accounts, activity inconsistent from declared business activity, should be traced. The Back Office system should be devised to support such surveillance system.

The Company shall put in place for identifying transactions, which may likely lead to market manipulation which appears to be insider trading and also any transactions

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

which seems to have no bonafide intention. Regular communications by means of mailers, SMS, E-mail should be sent to clients at various intervals requesting them to update their latest financial details and KYC details with the Company.

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

Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008.

In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA. Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism.

The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism.

The obligations shall be followed by the Company to ensure the effective and expeditious implementation of said Order has been issued vide **SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009.**

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 the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,
Financial Intelligence Unit-India
6th Floor, Hotel Samrat
Chanakyapuri
New Delhi-110021

Website: <http://fiuindia.gov.in>

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

The company shall carefully go through all the reporting requirements and formats as mandated and would ensure apt compliance.

The Principal Officer of the Company will be responsible for timely submission of CTR and STR to FIU-IND.

The Company shall file the Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15 of the succeeding month.

The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.

Utmost confidentiality shall be maintained by the Company in filing of CTR and STR to FIU-IND. The reports shall be transmitted by speed/registered post/fax at the notified address.

The Company shall not put any restrictions on operations in the accounts where an STR has been filed.

The Company and their directors, officers and employees (permanent and temporary) shall strictly prohibit themselves from disclosing ("tipping off") the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level.

The Company, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

In clause 8 of part II, after sub-clause 8.4, 8.5 clause shall be inserted: Registered Intermediaries shall maintain and preserve the record of information related to transactions, for a period of five years from the date of the transaction between the client and the intermediary.

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

APPOINTMENT OF AN OFFICER FOR REPORTING OF SUSPICIOUS TRANSACTIONS:

To ensure that the Company properly discharge their legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to Senior Management at the next reporting level or the Board of Directors.

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

The Company shall preferably appoint a Designated Director Mr. Shree Ram Agarwal as its Principal Officer, and They ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules.

HIRING OF EMPLOYEES:

The Company shall have adequate screening procedures in place to ensure high standards when hiring employees.

The Company shall identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

The Company shall recruit/hire its employees of sound moral background only through reliable references.

EMPLOYEES' TRAINING:

The Company shall have an ongoing employee-training programme so that the members of the staff are adequately trained in AML and CFT procedures.

Training requirements shall have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind these directives,

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

The Dealing Officers should keep themselves updated and continuously upgrade themselves with the above mentioned policies and procedure and ensure that the higher management and all the sub-ordinates are made aware about the aforesaid guidelines.

INVESTORS EDUCATION:

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

COMPLIANCE WITH VARIOUS REGULATIONS:

The dealing officers of the Company should be vigilant to comply with the various Rules, Regulations, Circulars issued by various regulators viz. SEBI, Exchanges, Government Departments from time to time. The Department Heads and Branch Heads must update themselves with the latest updates on such rules and regulations and should impart knowledge of the same to their sub-ordinates from time to time.

If any, deviation or non-compliance, is detected, the same should be reported to the Compliance Officer as well as Department Head immediately.

ROLE OF COMPLIANCE TEAM AND INTERNAL AUDIT:

The Compliance Team shall play an important role in ensuring Compliance of the above-policies and procedures. The Account Opening Team shall exercise adequate due diligence as stated above. There shall be periodic checking by the Principal Officer and the same report shall be properly filed.

It is the duty of the Compliance Officer, its sub-ordinates as well as the Internal Audit Team to ensure compliance with policies, procedures, and controls relating to prevention of money laundering and terrorist financing, including the testing of the

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

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 regarding their responsibilities in the said matter.

Any suspicious transaction or non-adherence to the policies, procedures and controls should be brought to the notice of the Principal Officer.

It is the duty of the Compliance Officer and Company Secretary of the Company to regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness.

The Company shall have a system of Concurrent Audit, which shall also include ensuring Compliance of the above policies. The Management shall note deviation or any inadequacy, if any in the report of the Concurrent Auditor for necessary action. The areas to be specially checked by the Concurrent Auditors, shall be:

- a) Due Diligence in KYC Norms
- b) Generation of Exception Reports
- c) Trading in Dormant Client Codes
- d) Level of Awareness of Staff

CO-OPERATION WITH THE RELEVANT LAW ENFORCEMENT AUTHORITIES, INCLUDING THE TIMELY DISCLOSURE OF INFORMATION:

It is the duty of all the staff members in the organization to extend cooperation to the law enforcement authorities and it is the duty of the person concerned to provide timely information about any deviation or non-compliance to their Heads of Department as well as the Compliance Officer immediately. It is important to note that TIME is of ESSENCE in detecting frauds and non-compliances.

FORMULATE/REVIEW/TRAINING ON THE INTERNAL POLICY AND PROCEDURE TO ALL STAFF/SUB-BROKERS:

This internal policy and procedure on "The Prevention of Money Laundering Act, 2002" should be brought to the notice of all employees by HRD Department.

All sub-brokers shall be intimated by our team and update on the applicable provision of The Prevention of Money Laundering Act, 2002 and the reporting mechanism by way of a circular.

Garg Securities Private Limited

1, Gulati Complex (in front of milkhiram market),
Sakchi, Jamshedpur – 831 001.

Staff training and implementing specific procedures for customer identification and retaining internal records of transaction.

The Internal Policy should be placed before the Head and if any changes in the policy are warranted, the revised policy should be placed before the Head for review and approval.

The Company are directed to review their AML/CFT policies and procedures and make changes to the quarterly basis minimum or at the time of issue new circulars..

15. Designated Principal Officer

In case any further information /clarification is required in this regard, the 'Principal Officer' may be contacted.

Mr. Shree Ram Agarwal
GARG SECURITIES PVT LTD.
1, Gulati complex,,
Sakchi, Jamshedpur- 831001

Tel: 0657-2423265
Mob: 919431302001
Email: gargeq@yahoo.co.in