

**LOHIA SECURITIES LIMITED  
ANTI MONEY LAUNDERING POLICY  
VERSION-5  
6<sup>th</sup> MARCH, 2025**

## INDEX

Serial No	Particulars	Page No
1.	Introduction	3
2.	Statement	4
3.	What is Money Laundering?	4
4.	Financial Intelligence Unit (FIU)- India	5
5.	Policies And Procedure To Combat Money Launder And Terrorist Financing	5
6.	Implementation Of Policy	5
7.	Client Due Diligence	6
8.	Policy For Acceptance of Clients	10
9.	Reliance on Third Party	10
10.	Risk-Categorization	11
11.	Beneficiary Ownership	11
12.	Risk Assessment	12
13.	Execution of Delivery Instruction Slips	13
14.	What is Suspicious Transaction?	14
15.	Suspicious Transaction- Monitoring & Analysis	14
16.	Monitoring of Transactions	15
17.	Reporting of Suspicious Transaction to Management	16
18.	Reporting to FIU	17
19.	Maintenance And Preservation of Records	18
20.	Recruitment of Staff & Training	21
21.	Investor Education	22
22.	Review Criteria Of Policy	22
23.	Adoption of Policy	22
24.	Conclusion	22

## **Anti Money Laundering Policy**

### **Lohia Securities Limited**

#### **1. INTRODUCTION**

The Government of India has serious concerns over money laundering activities, which are not only illegal but anti-national as well. As a market participant it is evident that strict and vigilant tracking of all transactions of suspicious nature required.

The Prevention of Money Laundering Act, 2002 has come into effect from 1st July 2005. As per the provision of the Act all the intermediaries registered under section 12 of the SEBI Act, 1992 shall have to maintain a record of all the transactions, the nature and value of which has been prescribed in the rules under PMLA. SEBI has also issued a circular no: ISD/QR/RR/AML/1/06 on Jan 18, 2006 to all intermediaries registered with SEBI under section 12 of the SEBI Act providing guidelines on Anti Money Laundering Standards.

This policy provides a detailed Account of the procedures and obligations to be followed to ensure compliance with issues related to KNOW YOUR CLIENT (KYC) Norms, ANTI MONEY LAUNDERING (AML), CLIENT DUE DILIGENCE (CDD) and COMBATING FINANCING OF TERRORISM (CFT). Policy specifies the need for Additional disclosures to be made by the clients to address concerns of Money Laundering and Suspicious transactions undertaken by clients and reporting to FINANCE INTELLIGENT UNIT (FIU-IND). These policies are applicable to both Branch and Head office Operations and are reviewed from time to time.

We, Lohia Securities Limited., being registered with SEBI as Stock Broker and Depository Participant shall maintain a record of all the transaction; the nature & value of which has been prescribed under the Prevention of Money Laundering Act. Such transactions include:

- All cash transactions of the value more than 10 lacs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued 10 lacs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
- All suspicious transactions (as defined under Rule 2 of the Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005) whether or not made in cash and including inter alia, credits or debits into from any non monetary accounts such as demat account , security account maintained by us.
- For the purpose of suspicious transactions reporting, apart from transactions integrally connected, transactions remotely connected or related are also to be considered.

## 2. STATEMENT

- Most developed countries (including Australia, Hong Kong, Singapore, Taiwan and the UK) have laws making it a criminal offence for a company or an individual to assist in the laundering of the proceeds of serious crime.
- The company conducts its business in conformity with all laws and regulations of the jurisdictions in which it transacts business. In order to ensure that the company meets its legal obligations, employees of Lohia Securities Limited must be mindful of the problem of money laundering and constantly vigilant for signs of such activity. Every effort must be made to "know" and verify the identity of the company's customers, to be aware at all times of what might constitute a suspicious transaction or suspicious counterparty behavior, to adhere to appropriate account opening and record-keeping procedures, and to observe companies procedure for reporting suspicious circumstances to Management, Compliance and the relevant authorities.
- Recognizing and combating money laundering: "Know Your Customer". The types of transactions which may be used by a money launderer are almost unlimited, making it difficult to define a suspicious transaction. It is, however, reasonable to question a transaction which may be inconsistent with an investor's known, legitimate business or personal activities or with the normal business for that type of investor. Hence, the first key to recognition is to "know your customer".
- Employees should be sensitive to potential warning signs of money laundering.
- When establishing a relationship, maintaining a relationship or providing services, especially when dealing with a client.
- Infrequently, all reasonable steps must be taken to determine, to verify where necessary, and to remain apprised of the identity, financial position and business objectives of the client. Client identification must be carried out before any dealing takes place and the company's account opening form must be completed and processed for every new account.

## 3. WHAT IS MONEY LAUNDERING

- Money Laundering 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.
- This is done in three phases – Placement Phase, Layering Phase & Integration Phase.
- The first stage in the process is placement. The placement stage involves the physical movement of currency or other funds derived from illegal activities to a place or into a form that is less suspicious to law enforcement authorities and more convenient to the criminal. The proceeds are introduced into traditional or non-traditional financial institutions or into the retail economy.
- The second stage is layering. The layering stage involves the separation of proceeds from their illegal source by using multiple complex financial transactions (e.g., wire transfers, monetary instruments) to obscure the audit trail and hide the proceeds.

- The third stage in the money laundering process is integration. During the integration stage, illegal proceeds are converted into apparently legitimate business earnings through normal financial or commercial operations.
- Having identified these stages money laundering process, financial institutions are required to adopt procedures to guard against and report suspicious transactions that occur in any stage.

#### **4. FINANCIAL INTELLIGENCE UNIT (FIU) – INDIA**

The government of India has set up Financial Intelligence Unit (FIU-INDIA) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister. FIU-INDIA has been established as the central national agency responsible for receiving, processing, analysing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordination and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

#### **5.POLICIES AND PROCEDURES TO COMBAT MONEY LAUNDER AND TERRORIST FINANCING**

Lohia Securities Limited has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame work for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to FIU as per the guidelines of PMLA Rules, 2002. Further, Lohia Securities Limited shall regularly review the policies and procedures on PMLA and Terrorist Financing to ensure their effectiveness.

#### **6. IMPLEMENTATION OF POLICY**

##### **1. Team**

Mr. Sudheer Kumar Jain, Whole time Director of the company has been appointed as the Designated Director of the company on 31/03/2014 for PMLA related activities and to supervises the work of the Anti Money Laundering team. Under him a team headed by Mr. Narendra Kumar Rai (Principle Officer of the company), works for the implementation of the act. The team consists of at least one experienced officer form each division. The compliance division of the company acts as the data bank centre which collects data from all the division and depository analyzes the data and send its report to the Principle Officer. The Principle Officer further analyzes the data and send a report to the management, which in turn based on the recommendation of the principle officer and the compliance division decides whether to report the suspicious transaction to the FIU or not.

## **2. Obligation**

International initiatives taken to combat drug trafficking, terrorism and other organized and serious crimes have concluded that financial institutions including securities market intermediaries must establish procedures of internal control aimed at preventing and impending money laundering and terrorist financing. The said obligation on intermediaries has also been obligated under the Prevention of Money Laundering Act, 2002. In order to fulfill these requirements, there is also a need for registered intermediaries to have a system for identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities.

In light of the above, senior management of a registered intermediary should be fully committed to establishing appropriate policies and procedures for the prevention of money laundering and terrorist financing and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The Registered Intermediaries should:

- Issue a statement of policies and procedures, on a group basis where applicable, for dealing with money laundering and terrorist financing reflecting the current statutory and regulatory requirements.
- Ensure that the content of these Guidelines are understood by all staff members.
- Regularly review the policies and procedures on prevention of money laundering and terrorist financing to ensure their effectiveness. Further in order to ensure effectiveness of policies and procedures, the person doing such a review should be different from the one who has framed such policies and procedures.
- Adopt customer acceptance policies and procedures which are sensitive to the risk of money Laundering and terrorist financing.
- Undertake customer due diligence (“CDD”) measures to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship or transaction.  
And develop staff members’ awareness and vigilance to guard against money laundering and terrorist financing.

## **7. POLICY FOR CLIENTS DUE DILIGENCE**

### **Policies & Procedures:**

The main aspect of this policy is the **Customer Due Diligence process (CDD)** which means:

- Obtaining sufficient information about the client in order to identify who is the actual beneficiary owner of the securities or on whose behalf transaction is conducted.
- Verify the customers identity using reliable independent source document, data or information

- **Conduct on-going due diligence and scrutiny of the account/ client to ensure that the transaction conducted are consistent with the clients' background/ financial status, its activities and risk profile.**

The Customer due diligence process includes three specific parameters:

- A) Client Identification Procedure (Risk Profiling)
- B) Policy for acceptance of Client
- C) Other Due Diligence
- D) Suspicious Transactions identification and reporting.

### **A) Client identification procedure:**

The 'Know your Client' (KYC) Policy: -

#### **a) While establishing the intermediary – client relationship**

- No Trading and/ or Demat account shall be opened unless all the KYC Norms as prescribed from time to time by the SEBI / Exchanges/ Depositories are duly complied with, all the information as required to be filled in the KYC form (including financial information, occupation details and employment details) is actually filled in and the documentary evidence in support of the same is made available by the client. Moreover all the supporting documents should be verified with originals and client should sign the KYC & MCA in presence of our own staff and the client should be introduced by an existing clients or the known reference.
- The information provided by the client should be checked though independent source namely.
- PAN No must be verified from Income Tax Web Site
- Address must be verified by sending Welcome Letter / Quarterly Statement of Account, and in case any document returned undelivered the client should be asked to provide his new address proof before doing any further transaction.
- We must exercise additional due diligence in case of the Clients of Special Category which include but not limited to :-
  - i. Non resident clients
  - ii. High net-worth clients
  - iii. Trust, Charities, NGOs and organizations receiving donations
  - iv. Companies having close family shareholdings or beneficial ownership
  - v. Politically exposed persons (PEP) of foreign origin
  - vi. Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
  - vii. Companies offering foreign exchange offerings
  - viii. 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 centres, tax havens, countries where fraud is highly prevalent.

- ix. Non face to face clients
  - x. Clients with dubious reputation as per public information available etc.
  - xi. Such Other persons who as per our independent judgment may be classified as CSC.
- In case we have reasons to believe that any of our existing / potential customer is a politically exposed person (PEP) we must exercise due diligence, to ascertain whether the customer is a politically exposed person (PEP), which would include seeking additional information from clients and accessing publicly available information etc.
  - The dealing staff must obtain senior management's prior approval for establishing business relationships with Politically Exposed Persons. In case an existing customer is subsequently found to be, or subsequently becomes a PEP, dealing staff must obtain senior management's approval to continue the business relationship.
  - We must take reasonable measures to verify source of funds of clients identified as PEP.
  - The client should be identified by using reliable sources including documents / information and we should obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
  - The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in respect of statutory and regulatory requirement in future that due diligence was observed by the intermediary in compliance with the Guidelines. Each original document should be seen prior to acceptance of a copy.
  - Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority.
  - While accepting a client the underlying objective should be to follow the requirements enshrined in the PML Act, 2002, SEBI Act, 1992 and Regulations, directives and circulars issued there under so that we are aware of the clients on whose behalf we are dealing.
  - For scrutiny/ background checks of the clients, websites such as [www.watchoutinvestors.com](http://www.watchoutinvestors.com) should be referred. Also, information available on [www.sebi.gov.in](http://www.sebi.gov.in), [www.nseindia.co.in](http://www.nseindia.co.in), [www.bseindia.com](http://www.bseindia.com), and RBI Defaulters Database available on [www.cibil.com](http://www.cibil.com) can be checked.
  - Verify the forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, ask for any additional details like salary slips, etc. To satisfy yourselves whenever there is a doubt.
  - Review the above details on going basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer's source of fund.

**b) While carrying out transactions for the client**

- RMS department should monitor the trading activity of the client and exercise due diligence to ensure that the trading activity of the client is not disproportionate to the financial status and the track record of the client.
- Payments department should ensure that payment received from the client is being received in time and through the bank account the details of which are given by the client in KYC form and the payment through cash / bearer demand drafts should not be entertained.

**c) Other Due Diligence:**

**1. Conduct ongoing due diligence and scrutiny:**

Perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and

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

**2. Monitoring transactions and ongoing due diligence and scrutiny:**

At regular interval, ongoing due diligence and scrutiny shall be conducted 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 Organization's knowledge of the client, its business and risk profile, taking into account, where necessary, the customer's source of funds.

**3. Periodicity of Updation of documents obtained during account opening :**

- KYC exercise to be done at least every year for high risk customers, every eight years for medium risk customers and every ten years for low risk customers. Full KYC includes all measures for confirming identity and address and other particulars of the customer that the Lohia Securities Limited considers necessary based on the risk profile of the customer.
- KYC exercise including but not limited to Positive confirmation (obtaining KYC related updates through e-mail / letter / etc/Website updation) for confirming identity & address & other particulars of client.
- The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

**4. Implementation of the Multilateral Competent Authority Agreement (MCAA)**

In pursuant to MCA agreement with USA, Government of India has made necessarily legislative changes and has notified Rule 114F to 114H under the Income Tax Rules, 1962 which are required to be complied with by all the registered Intermediaries while carrying out necessary due diligence. We will ensure the effective and expeditious implementation of the above SEBI Circular no. CIR/MIRSD/2/2015 dated August 26, 2015.

## 8. POLICY FOR ACCEPTANCE OF CLIENTS:

1. The following safeguards are to be followed while accepting the clients:

- a) No account is opened in a fictitious / benami name or on an anonymous basis. To ensure this we must obtain the necessary details in the KYC form and all the necessary documentary evidence in support of the information filled in KYC.
- b) All supporting documents as specified by SEBI/ Exchanges/ Depositories are obtained and verified. We must verify all the documents submitted in support of information filled in the KYC form with the originals and our own staff should do in-person verification. **In person verification is mandatory in all cases except (i) individuals whose KRA is verified and (ii) E-KYC service offered by UIDAI**
- c) Moreover new client should either be introduced by an existing client or by the senior official/ director of the company.
- d) In case we have any doubt that in-complete / fictitious information is submitted by the client, we must ask for such additional information so as to satisfy ourselves about the genuineness of the client and the information of the client before accepting his registration.
- e) We have to check whether the client's identity matches with any person having known criminal back ground or is banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/ regulatory agency worldwide. We have to ensure before opening a new account that the name/s of the proposed customer does not appear in the banned list. Further, we have to continuously scan all existing accounts to ensure that no account is held by or linked to any of the banned entities. Full details of accounts bearing resemblance with any of the individuals/entities in the banned list are required to be intimated to SEBI and FIU-IND.
- f) We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc). Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category

## 9. RELIANCE ON THIRD PARTY FOR CARRYING OUT CLIENT DUE DILIGENCE (CDD)

The Company will not 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. The Company shall be responsible for CDD and undertaking enhanced due diligence measures as applicable to it.

## 10. RISK CATEGORISATION

### 1. Risk Profiling of the Client

We should classify the clients based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, we need to classify the clients as Low risk, medium risk and high-risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high-risk client we have to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc.

In order to achieve this objective, all clients of the Company should be classified in the following category:

- a) - Low Risk
- b) - Medium Risk
- c) - High risk

**Low Risk** clients are those pose low or nil risk. They are good corporates /HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.

**Medium Risk** clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with Lohia Securities Limited.

**High Risk** clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

We have to be careful while monitoring the transactions of **Medium Risk** and **High Risk** category clients. Apart from this we need to exercise extra caution while monitoring the transactions of NRI/ NRE/ PIO and foreign clients, especially when the payment is being made in foreign currency. Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned officials, and reported to the Business Head immediately.

2. Ensure that no account is opened where we are unable to apply appropriate clients due diligence measures / KYC policies. This shall be applicable in cases where it is not possible to ascertain the identity of the client or information provided by the client is suspected to be non-genuine or perceived non co-operation of the client in providing full and complete information. We should not continue to do business with such a person and file a suspicious activity report. We should also evaluate whether there is suspicious trading in the account and whether there is a need to freeze or close the account.

### 11. BENEFICIARY OWNERSHIP:

We at Lohia Securities Limited have adopted the following checks/ procedure to determine the beneficial ownership of an account as per SEBI circular no: CIR/MIRSD/2/2013 dated 24.01.2013

- Individual: - The determination of beneficial ownership is much easier, as the account holder is assumed to be the beneficial owner. We determine the ownership of the client based on the financial position of the client, the information we have in respect of his integrity, social standing and financial position. In case of account of wife and children the social standing and financial position of the Husband/ Father is also taken into consideration.
- HUF: For determining the beneficial ownership of a HUF, the KYC documents as outlined by SEBI is collected, in addition the details of the Karta are also collected. We determine the ownership of the client based on the financial position of the HUF and the Karta & the information we have in respect of his integrity, social standing and financial position.
- Partnership: - The ownership of a partnership firm is based on the capital or profit sharing ratios among the partners. Partners having more than 15% share in capital or profit are taken as Beneficial Owner.
- NRI: - For determining the beneficial ownership of a NRI client, the KYC documents outlined by SEBI is collected, we determine the ownership of the client based on the financial position of the client, the information we have in respect of his integrity and social standing. The social standing of the family of the client is also taken into consideration. The sources of funds of the client are also analyzed. The client is not allowed intraday trading, F&O and Currency trading in almost all the cases.
- Corporates: - Special attention is paid on the share holding Pattern for determination of the dominant promoter group (DPG), the financial position, integrity and social standing of the DPG is also analyzed. In case it is observed that a corporate is holding more than 25% shares of the proposed client, then share holding pattern of that corporate is also taken to determine the individual or natural person actually holding the shares of the proposed client.
- Trust: - Special attention is paid to the trust deed to determine the ultimate beneficiaries, the trustees, the protector and the settler of the trust and any other natural person exercising ultimate control over the trust. Based on the same, beneficial ownership of the trust account is determined.
- AOP: In case of AOP, individual or natural person having more than 15% of the property or capital or profit is treated as the beneficial owner of the same.
- Note: It should be noted that the company will rely on documents and self declaration with evidence for determination of beneficiary ownership of the entity.

## **12. RISK ASSESSMENT**

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

The Company shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients etc. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions. These information should be regularly accessed at [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml) and <http://www.un.org/sc/committees/1988/list.shtml>

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.

### **13. EXECUTION OF DELIVERY INSTRUCTION SLIPS:**

The DP has inbuilt system for accepting & executing Delivery Instructions as follows:

- There is system to issue DIS booklets to BOs based on requisition slip, which forms part of the earlier issued DIS's and such requisition slip has pre-printed instruction slip serial number and letters from clients.
- DP is issuing DIS booklet containing 10 slips for all category of account holders, at a time.
- The instruction slip number is verified against the issue details at the time of receipt from BO.
- There is provision for blocking of DIS serial numbers which are already used or reported lost / misplaced and or stolen.
- DP executes instructions only on basis of duly signed instruction slips by all account holders or as per instructions registered with DP and the signatures are duly verified with our records.
- DP verifies corrections / cancellations on the instruction slips, if any, and whether authenticated /signed by all account holders or registered signatories.
- DP has systems and procedures to double check transactions originating from Dormant Accounts , (and if any found then processing of the same is done with extra care, like verifying with the client either email/phone /fax and if required to obtain a confirmation for the same , of having issuing a instruction slip).
- In case of off-market transactions, confirmation is sought from the clients regarding the instructions sent by him and the reasons for such transfers. In addition, we write the confirmation/ communication with the client details and the reason for such transfer on the DIS in case of off market/dormant and high value instruction slips.

#### 14. WHAT IS A SUSPICIOUS TRANSACTION

Suspicious transaction means a transaction whether or not made in cash, which to a person acting in good faith

- Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- Appears to be made in circumstance of unusual or unjustified complexity; or
- Appears to have no economic rationale or bona fide purpose

#### 15. SUSPICIOUS TRANSACTION- MONITORING & ANALYSIS:

All are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

##### ***Reasons for Suspicious:***

Identity of client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Clients in high- risk jurisdiction
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities
- Receipt back of welcome kit undelivered at the address given by the client

Suspicious Background

- Suspicious background or links with criminal back ground.

Multiple Accounts

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

Activity In Accounts

- Unusual activity compared to past transactions •

Use of different accounts by client alternatively

- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading

**Nature of Transactions**

- Unusual or unjustified complexity
- No economic rationale or bona-fide purpose
- Source of funds are doubtful
- Appears to be case of insider trading

- Purchases made on own account transferred to a third party through an off market transactions through DP account
- Transactions reflect likely market manipulations
- Suspicious off market transactions

**Value of Transactions**

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client
- Block deal which is not at market price or prices appear to be artificially inflated/deflated

**Updation of documents of clients**

- Financial documents of client trading in derivative segment should be updated on an yearly basis
- Financial documents of Non individual clients in cash segment should be updated on an yearly basis
- For Demat and individual clients trading in cash segment, client's financial data should be updated in line with value of transactions and income range mentioned by the client as and when required.

**Alerts generated by NSDL/CDSL based on transactions in Depository Accounts**

- Debit and Credit transactions due to Off-market or Inter-depository transfers, above a threshold quantity, in an ISIN, in a single transaction or series of transactions executed during the fortnight.
- Details of debit and credit transactions due to demat, remat and pledge above a threshold quantity / value, in an ISIN, in a single transaction or series of transactions executed during the fortnight.
- Details of debit and credit transactions above a threshold quantity/value whichever is smaller, in an ISIN, which exceed a threshold multiple of the average size of the transaction calculated for the previous months' transactions.
- Details of Off-market transactions (within NSDL or Inter-depository or within CDSL) where there are more than a threshold number of transactions in an account, for the past fortnight.
- Any debit transaction in a dormant account for exceeding a threshold quantity/value whichever is smaller, will be reported as an alert. An account having no 'Debit Transaction' in the last '6 (six)' months will be considered as 'Dormant' account for this purpose.

Further the Compliance Department randomly examine select transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.

## **16. MONITORING OF TRANSACTIONS**

- a) Member regular monitors the transactions to identify any deviation in transactions / activity for ensuring effectiveness of the AML procedures.
- b) Member shall pay special attention to all unusually large transactions / patterns which appears to have no economic purpose.
- c) The Member may specify internal threshold limits for each class of client accounts on the basis of various plans and pay special attention to transactions which exceeds these limits
- d) 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 maintained and preserved for a period of five years from the date of transaction between the client and intermediary as is required under the PMLA.

## **17. REPORTING OF SUSPICIOUS TRANSACTION TO MANAGEMENT**

### **What to Report**

The nature of the transactions

The amount of the transaction and the currency in which it was denominated

The date on which the transaction was conducted

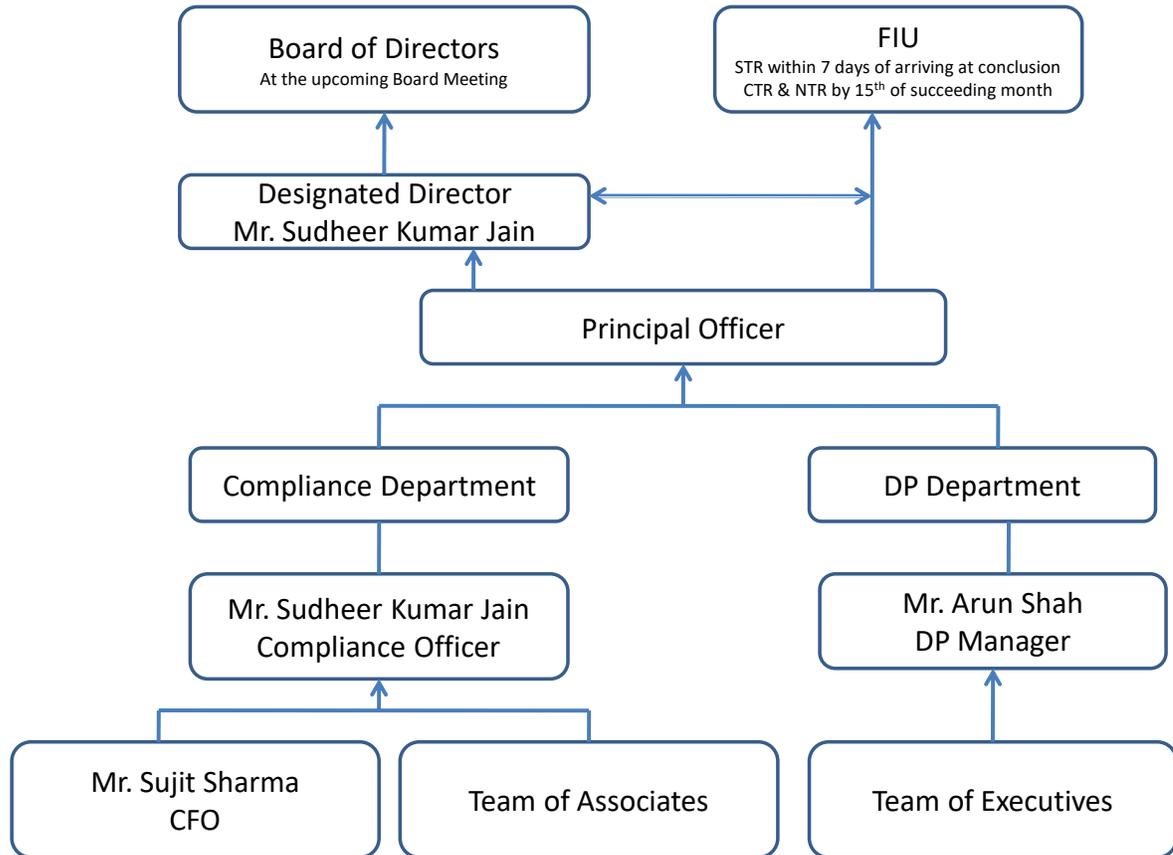
The parties to the transaction, and

The reason of suspicion.

### **Procedure of Report**

Employees will report any violations of the company's AML compliance program to the Principal Officer, unless the violations implicate the Compliance Officer, in which case the employee shall report to the Chairman of the Board. Such reports will be confidential, and the employee will suffer no retaliation for making them.

**REPORTING- HEIRARCHY:**



**18. REPORTING TO FIU**

As per our observations if any transaction of suspicious nature is identified it must be brought to the notice of the Principal Officer who will submit under mentioned Report to the FIU, if so required. In terms of the PML Rules, we are required to Report information relating to following 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>

Report	Description	Due Date of Filing
CTR	All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency  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.	15 <sup>th</sup> day of the succeeding month
CCR	All cash transactions where forged or counterfeit currency notes or bank notes have been used a genuine or where any forgery of a valuable security or a documents has taken place facilitating the transaction	
NTR	All transaction involving receipt by non-profit organisations of value more than Rs.10 lakhs or its equivalent in foreign currency.	
CBWTR	All cross border wire transfers of the value or more than five lakhs rupees or its equivalent in foreign currency where either the origin or destination of fund is in India.	
IPR	All purchase and sale by any person of immovable property at fifty lakhs rupees or more that is registered by the reporting entity*, as the case may be	15 <sup>th</sup> day of the month succeeding the quarter
STR	All suspicious transactions whether or not made in cash	Not later than seven working days on being satisfied that the transaction is suspicious.

Lohia Securities Limited shall not put any restrictions on operations in the accounts where an STR has been made. Lohia Securities Limited and its directors, officers and employees (permanent and temporary) shall be prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/ or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level. It is clarified that the Lohia Securities Limited, 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 Lohia Securities Limited has reasonable grounds to believe that the transactions involve proceeds of crime.

## 19. MAINTENANCE AND PRESERVATION OF RECORDS

### a) Retention of records

Records pertaining to active clients and staff details collected for recruitment shall be kept safely. The Company shall maintain and preserve the record of documents evidencing the identity of its client and beneficial owners (e.g. copies or records of official identification documents like passport, identity cards, driving licenses or similar documents) as well as files and business correspondence for a period of five years after the business relationship between a client and Company has ended or the account has been closed, whichever is later. We have to

retain the statutory and regulatory compliance relating records and co-operate with law enforcement authorities with timely disclosure of information. The 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 Company.

**b) Information to be maintained**

Company will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PMLA Rules for the period of 5 years.

- I. Client Registration Forms
- II. Contract Note
- III. the nature of the transactions;
- IV. the amount of the transaction and the currency in which it denominated;
- V. the date on which the transaction was conducted; and
- VI. the parties to the transaction.

**c) 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 stock exchanges, depositories and registered intermediaries shall ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated August 27, 2009 as listed below

a) On receipt of the updated list of individuals/ entities subject to UN sanction measures (hereinafter referred to as 'list of designated individuals/ entities)from the Ministry of External Affairs (MHA)'; SEBI will forward the same to stock exchanges, depositories and registered intermediaries for the following purposes:

- i. To maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.

ii. In the event, particulars of any of customer/s match the particulars of designated individuals/entities, stock exchanges, depositories and intermediaries shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer on their books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.

iii. Stock exchanges, depositories and registered intermediaries shall send the particulars of the communication mentioned in (ii) above through post/fax and through e-mail (sebi\_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Officer on Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU-IND.

iv. In case the aforementioned details of any of the customers match the particulars of designated individuals/entities beyond doubt, stock exchanges, depositories and registered intermediaries would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.

v. Stock exchanges, depositories and registered intermediaries shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph 2.9.2 (a) (ii) above carried through or attempted, as per the prescribed format.

b) On receipt of the particulars as mentioned in paragraph 2.9.3 (a) (ii) above, IS-I Division of MHA would cause a verification to be conducted by the State Police and /or the Central Agencies so as to ensure that the individuals/ entities identified by the stock exchanges, depositories, registered intermediaries are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by stock exchanges, depositories, registered intermediaries are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

c) In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND. The order shall take place without prior notice to the designated individuals/entities.

d) Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person

i. Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen,

shall move an application giving the requisite evidence, in writing, to the concerned stock exchanges/depositories and registered intermediaries. The stock exchanges/depositories and registered intermediaries shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 5(ii) above within two working days. The Joint Secretary (IS-I), MHA, being the nodal officer for (IS-I) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned stock exchanges, depositories and registered intermediaries. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of IS-I Division shall inform the applicant.

**Communication of Orders under section 51A of Unlawful Activities (Prevention) Act**

i. All Orders under section 51A of the UAPA relating to funds, financial assets or economic resources or related services, would be communicated to stock exchanges, depositories and Lohia Securities Limited through SEBI.

**20. RECRUITMENT OF STAFF AND TRAINING  
Policy for Recruitment of personnel**

The HR Department is instructed to cross check all the references and should take adequate safeguards to establish the authenticity and genuineness of the persons before recruiting. The department should obtain the following documents:

- 1 Photograph
- 2 Proof of address
- 3 Identity proof
- 4 Proof of Educational Qualification
- 5 References

Knowledge about the act is very important. We at Lohia Securities Limited organize annually training and interactive session on PMLA Act to train and upgrade our officers. In these sessions our officers are informed about the act and any recent development on the same. But bulk of the time is utilized to inform all the reasons to consider a transaction as suspicious, the full procedure followed by all the divisions. The analysis done by the compliance division and the results derived therein. This is done to make every one understand all ifs and buts of the PMLA Act.

Company adopted an ongoing employee training program so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind these guidelines, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

## **21. INVESTORS EDUCATION**

Implementation of AML/CFT measures requires back office and trading staff to demand certain information from investors which may be of personal nature or which have 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 customer with regard to the motive and purpose of collecting such information. There is, therefore, a need for the back office and trading staff to sensitise their customers about these requirements as the ones emanating from AML and CFT framework. The back office and trading staff should prepare specific literature/ pamphlets etc. so as to educate the clients of the objectives of the AML/CFT programme.

## **22. REVIEW CRITERIA OF POLICY**

The policy will be reviewed by us on a yearly basis by Executive Directors of the company and as and when any changes are notified by FIU/SEBI/EXCHANGES/ DEPOSITORY.

## **23. ADOPTION OF POLICY**

This Policy was reviewed and adopted by the Board of Directors of Lohia Securities Limited at their meeting held in Kolkata on 6<sup>th</sup> March, 2025.

## **24. CONCLUSION**

PMLA is an act formed to protect the economy of any country. Everyone should first understand what actually the act for, the implication is if not followed in the true spirit. Then the act can be followed and implemented. At the outset it appears that the government has of loaded its responsibility on us but this is not the fact. It is impossible for them to monitor the huge transactions that are going on in the capital market. It is the responsibility of all market intermediaries to take active part in implementation of the act. We at Lohia Securities Limited. are committed to put in our best effort for implementation of the PMLA Act We at Lohia Securities Limited have learned that it is firstly the procedure formed and the due diligence shown by the officers of a company are the two key factors for proper implementation of the Act. Proper coordination between divisions is also an important factor for proper implementation of the PMLA Act.