

**SANJAY AGARWAL BROKING**  
**LIMITED**

**ANTI- MONEY LAUNDERING POLICY/**  
**COMBATING FINANCING TERRORISM**

**2020**

# SANJAY AGARWAL BROKING LIMITED

ECSL0710, AMBUJA NEOTIA ECOCENTRE, EM 4, SALT LAKE SECTOR V, KOLKATA - 700091 ● TEL: +91 33 46020776

## 1. INTRODUCTION

SANJAY AGARWAL BROKING LIMITED (SABL) believes in this policy of PMLA and effective AML program to prohibit and actively prevent the money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities or flow of illegal money or hiding money to avoid paying taxes. To discourage and identify any Money laundering or Terrorist financing Activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Maintenance of records of the Nature and Value of Transactions, to protect the interests of investors in securities and to promote the development of and to regulate the securities Market.

The policy has 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.

Every possible measure is taken for the effective implementation of the Policy. The measures taken are adequate, appropriate and abide by the spirit of such measures and requirements as enshrined in the PMLA to the best of our satisfaction

## 2. BACKGROUND

Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18th January 2006, vide Circular No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 vide letter No. ISD/AML/CIR-1/2008 dated December 19, 2008, vide Circular No. ISD/AML/CIR-1/2009 dated September 01, 2009, Vide Circular No. ISD/AML/CIR-2/2009 date October 23, 2009, vide Circular CIR/ISD/AML/3/2010 dated December 31, 2010, vide Circular No. ISD/AML/CIR-1/2010 dated February 2010 and vide Circular number CIR/MIRSD/1/2014 dated March 12th, 2014 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI

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### 3. WHAT IS ANTI MONEY LAUNDERING?

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

This is done in three phases

- Placement Phase
- Layering Phase
- Integration Phase

### (b) FINANCIAL INTELLIGENCE UNIT (FIU) – INDIA

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

FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions.

FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

### (c) THE PREVENTION OF MONEY LAUNDERING ACT, 2002 (PMLA)

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, and Government of India.

As per 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 Depository Participants, Stockbroker, 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) shall have to maintain a record of all the transactions, the nature and value of which has been prescribed in the Rules notified under the PMLA. For the purpose of PMLA, transactions include:

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

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- All series of cash transactions integrally connected to each other, which have been valued below Rs.10 Lakhs or its equivalent in foreign currency, such series of transactions within one calendar month.
- All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non-monetary account such as Demat account, security account maintained by the registered intermediary.

The Anti-Money Laundering Guidelines provides a general background on the subjects of money laundering and terrorist financing in India and provides guidance on the practical implications of the PMLA. The PMLA Guidelines sets out the steps that a registered intermediary and any of its representatives, need to implement to discourage and identify any money laundering or terrorist financing activities.

## (d) SUSPICIONS TRANSACTIONS

A transaction whether or not made in cash which to a person acting in good faith –

- a- Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- b- Appears to be made in circumstances of unusual or unjustified complexity; or
- c- Appears to have no economic rationale or bonafide purpose.

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## 4. POLICY OF SANJAY AGARWAL BROKING LIMITED (SABL)

SANJAY AGARWAL BROKING LIMITED (SABL) has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002. This policy is applicable to SABL Employees and Authorized person (AP).

SANJAY AGARWAL BROKING LIMITED (SABL) 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.

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## 5. OBEJECTIVE OF THESE GUIDELINES

The purpose of this document is to guide all the employees of SABL and employees of its associates on the steps that they are required to take and implement to prevent and identify any money laundering or terrorist financing activities. It shall be the responsibility of each of the concerned employees that they should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of these measures and the requirements as enshrined in the "Prevention of Money Laundering Act, 2002"

Some of these suggested measures may not be applicable to every circumstance or to each department, Branch / Sub-broker. However, each entity should consider carefully the specific nature of its business, type of customer and transaction to satisfy itself that the measures taken by the employees are adequate and appropriate to follow the spirit of these guidelines.

## 6. IMPLEMENTATION OF THIS POLICY

### (a) APPOINTMENT OF A DESIGNATED DIRECTOR AND PRINICPAL OFFICER FOR REPORTING OF SUSPICIOUS TRANSACTIONS

The company has appointed Mr. Sanjay Agarwal as the Principal Officer. The Principal officer appointed 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. Names, designation and addresses (including email addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, it is advisable that the 'Principal Officer' is of a sufficiently senior position and is able to discharge the functions with independence and authority. Compliance of the provisions of the PMLA and AML Guidelines.

- Compliance of the provisions of the PMLA and AML Guidelines
- Act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions
- Ensure that SABL discharges its legal obligation to report suspicious transactions to the concerned authorities.

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- SABL shall also evaluate whether there is any suspicious transaction and accordingly consult the regulatory authority, in determining whether to freeze or close the account.
- SABL shall be cautious to ensure (upon receipt of notice from regulatory authorities such as EOW, Police, Income Tax) that it does not return securities of money that may be from suspicious trades as alleged by the relevant regulatory authority. SABL shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.

**(b) THE MAIN ASPECT OF THIS POLICY IS THE CUSTOMER DUE DILIGENCE PROCESS WHICH MEANS:**

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

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## (c) THE CUSTOMER DUE DILIGENCE PROCESS INCLUDES THREE SPECIFIC PARAMETERS :

- Policy for Acceptance of Clients
- Client Identification Procedure
- Suspicious Transactions identification & reporting

## 7. CUSTOMER ACCEPTANCE POLICY

### ➤ *Each client should be met in person:*

We ensure that the existing guidelines regarding Customer/business acceptance is strictly followed. Existing /past relationship with the client should be verified and ensure that the client is not on the negative list/defaulters list.

Accept client whom we are able to meet personally either the client should visit the office / branch (if any) or concerned official may visit the client at his residence / office address to get the necessary documents filled and signed. Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client or it is known to any employee or director of the company.

In case of accounts are opened in the name of NRI. (If the company cannot personally verify the NRI Client), the company / KYC team shall ensure the photocopies of all the KYC documents/ Proofs and PAN Card are attested by Indian Embassy or Consulate General in the country where the NRI resides. The attesting authority affixes a "Verified with Originals" stamp on the said documents. The photocopies of the KYC documents and PAN Card should be sign by NRI. If the NRI comes in person to open the account, the above attestation are required may be waived.

Detailed search to be carried out to find that the Client is not in defaulters / negative list of regulators. (Search should invariably be carried out on SEBI website [www.sebi.gov.in](http://www.sebi.gov.in), CIBIL website [www.cibil.com](http://www.cibil.com) and Ministry of Company Affairs sponsored website [www.watchoutinvestors.com](http://www.watchoutinvestors.com). etc.)

### ➤ *Accepts client on whom we are able to apply appropriate KYC Procedures:*

Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. Ensure that the 'Know Your Client' guidelines are followed without any exception. All supporting documents as specified by FMC / Securities and Exchange Board of India (SEBI) and relative exchanges are obtained and verified.

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➤ **Do not accept clients with identity matching persons known to have criminal background:**

Check whether the client's identity matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement / regulatory agency worldwide.

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

- <http://www.un.org/sc/committees/1267/consolist.shtml>
- <http://www.un.org/sc/committees/1988/list.shtml>
- [www.sebi.gov.in](http://www.sebi.gov.in) : for prosecution database and vanishing companies' database.
- [www.fatf-gafi.org](http://www.fatf-gafi.org)
- [www.watchoutinvestor.com](http://www.watchoutinvestor.com)

➤ **Be careful while accepting Clients of Special category:**

We should be careful while accepting clients of special category like:

- Non-Resident clients
- High net-worth clients,\*
- Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations.
- Companies having close family shareholdings or beneficial ownership
- Politically Exposed Persons (PEP) Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP as contained in the subsequent para's of this circular shall also be applied to the accounts of the family members or close relatives of PEPs
- Companies offering foreign exchange offerings
- Clients in high risk countries (like Libya, Pakistan, and Afghanistan etc.) 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.
- Non face to face clients
- Clients with dubious reputation as per public information available etc.

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- persons of foreign origin, companies having closed shareholding / ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, -
- Current/Former Head of State, Current / Former senior high profile politician, - Or clients from high risk countries
- Clients belonging to countries where corruption / fraud level is high (like Nigeria, Burma etc.)

**\* High Net worth clients means:**

High net worth clients could be classified if at the account opening stage or during the course of the relationship, it is realized that the client's investments or the appetite for investment is high. The High net worth clients are basically categorized as the clients having annual income of Rs. 25 Lakhs or more or Net worth of Rs. 10 Crores or more.

Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category. Client of special category should be categorized as high risk client. Member shall closely examine the transaction in order to ensure they are consistent with Client business and risk profile. In case of High risk category due care and caution should be exercised at the acceptance stage itself. The profile of Clients has to be updated regularly.

➤ **Guidelines on Identification of Beneficial Ownership:**

For non individual customers as part of the due diligence measures sufficient information must be obtained in order to identify persons who beneficially own or control securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should be identified and verified using client identification and verification procedures as early as possible. 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(s) is/are being conducted. It includes persons who exercise ultimate effective control over a legal person or arrangement.

➤ **Do not accept client registration forms which are suspected to be fictitious:**

Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis. The employees shall follow the applicable SEBI/FMC guidelines.

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- **Do not compromise on submission of mandatory information/ documents:**  
Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.
- **Ensure that the persons acting for/on behalf of the clients shall have an authority/consent letter:**  
Adequate verification of a person's authority to act on behalf of the client should also be carried out by the Compliance Cell.

## 8. CUSTOMER IDENTIFICATION PROCEDURE:

### (a) OBJECTIVE:

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

- Before opening the accounts, there should have to be a personal interaction with the client except in the case of NRIs where the power of attorney holder is the Authorised dealer Bank.
- Before opening the accounts in case of companies any one of the following viz main promoter/ Managing Director/ whole time director / key management person and in the case of partnership any one of the active partners should be met in person.
- Caution is to be exercised when identifying companies which appear to be 'shell companies' or 'front companies'. Shell/front companies are legal entities which have no business substance in their own right but through which financial transactions may be conducted.
- In case of clients acting through Power of Attorneys the Principal and agent should come in person for the first time, except where the client is a NRI and the designated branch of the Authorised Dealer Bank is holding the power of attorney. Photos of both to be obtained along with signatures on the photos. The KYC Form, Agreement and the Disclosure Document must compulsorily be signed by the Client himself and not by the POA holder except in case of NRI\* clients if the POA holder is the designated branch of the authorized dealer.
- Original of un-expired Photo identity of individual/promoter/director to be verified by our official for identifying the client. Signature of the persons should be obtained on the photos. Photocopy of the proof should be taken by our official who should also certify thereon about having verified with the unexpired original.

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## (b) DOCUMENTS WHICH CAN BE RELIED UPON:

### ➤ PAN Card:

PAN Card is mandatory and is most reliable document as it is unique to each individual and is valid for the life time of the holder and we can independently check its genuineness through IT Websites.

### ➤ Identity Proof:

PAN Card itself can be served as proof of Identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter's identity card, Passport, Ration Card or any Government / PSU / Bank issued photo identity card / Aadhaar Card.

### ➤ Address Proof:

For Valid address proof, we can rely on Voter's Identity Card, Passport, Bank Statement, Aadhaar Card, Ration Card and latest Electricity / telephone bill in the name of the client. The utility bill should be not more than three months old while entering in to relationship with the clients.

## (c) DOCUMENTS TO BE OBTAINED AS PART OF CUSTOMER IDENTIFICATION PROCEDURE FOR NEW CLIENTS (UN EXPIRED ORIGINAL SHOULD BE VERIFIED):

### ➤ Proof of Identity (POI): - List of documents admissible as Proof of Identity:

- Unique Identification Number (UID) (Aadhaar)
- Passport
- Voter ID card
- Driving license.
- PAN card with photograph.
- Identity card/ document with applicant's Photo, issued by any of the following:
  - Central/State Government and its Departments, Statutory/Regulatory Authorities
  - Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions,
  - Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar
  - Council etc., to their Members; and Credit cards/Debit cards issued by Banks

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➤ **Proof of Address (POA):** - List of documents admissible as Proof of Address:  
(\*Documents having an expiry date should be valid on the date of submission.)

- Unique Identification Number (UID) (Aadhaar)
- Passport
- Voters Identity Card
- Ration Card
- Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance Copy.
- Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill - Not more than 3 months old.
- Bank Account Statement/Passbook -- Not more than 3 months old.
- Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
- Bank Account Statement/Passbook -- Not more than 3 months old.
- Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
- Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-operative Bank/Multinational Foreign Banks/Gazetted Officer/Notary public/elected representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.
- Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.
- For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or apostiled or consularised) that gives the registered address should be taken.

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- In case of Non-Individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:

Types of entity	Documentary requirements
Corporate	<ul style="list-style-type: none"><li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li><li>• Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year).</li><li>• Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations.</li><li>• Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly.</li><li>• Copies of the Memorandum and Articles of Association and certificate of incorporation.</li><li>• Copy of the Board Resolution for investment in securities / commodities market.</li><li>• Authorised signatories list with specimen signatures.</li></ul>
Partnership firm	<ul style="list-style-type: none"><li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li><li>• Certificate of registration (for registered partnership firms only)</li><li>• Copy of partnership deed.</li><li>• Authorised signatories list with specimen signatures.</li><li>• Photograph, POI, POA, PAN of Partners.</li></ul>
Trust	<ul style="list-style-type: none"><li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li><li>• Certificate of registration (for registered trust only).</li><li>• Copy of Trust deed.</li><li>• List of trustees certified by managing trustees/CA.</li><li>• Photograph, POI, POA, PAN of Trustees.</li></ul>
HUF	<ul style="list-style-type: none"><li>• PAN of HUF.</li><li>• Deed of declaration of HUF/ List of coparceners.</li><li>• Bank pass-book/bank statement in the name of HUF.</li><li>• Photograph, POI, POA, PAN of Karta.</li></ul>

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<b>Unincorporated Association or a Body of Individuals</b>	<ul style="list-style-type: none"><li>• Proof of Existence/Constitution document.</li><li>• Resolution of the managing body &amp; Power of Attorney granted to transact business on its behalf.</li><li>• Authorized signatories list with specimen signatures.</li></ul>
<b>Banks/Institutional Investors</b>	<ul style="list-style-type: none"><li>• Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years.</li><li>• Authorized signatories list with specimen signatures.</li></ul>
<b>Foreign Institutional Investors</b>	<ul style="list-style-type: none"><li>• Copy of SEBI registration certificate.</li><li>• Authorized signatories list with specimen signatures.</li></ul>
<b>Army/Government Bodies</b>	<ul style="list-style-type: none"><li>• Self-certification on letterhead.</li><li>• Authorized signatories list with specimen signatures.</li></ul>
<b>Registered Society</b>	<ul style="list-style-type: none"><li>• Copy of Registration Certificate under Societies Registration Act.</li><li>• List of Managing Committee members.</li><li>• Committee resolution for persons authorised to act as authorised signatories with specimen signatures.</li><li>• True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.</li></ul>

➤ In case of an NRI account - Repatriable/non-repatriable, the following documents are required:

- Copy of the PIS permission issued by the bank
- Copy of the passport
- Copy of PAN card
- Proof of overseas address and Indian address
- Copy of the bank statement
- Copy of the demat statement
- If the account is handled through a mandate holder, copy of the valid PoA/mandate.

➤ In the case of joint account:

All above procedure should be carried out for all the persons who hold the joint account

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➤ **List of people authorized to attest the documents:**

- Notary Public, Gazetted Officer, Manager of a Scheduled Commercial/ Co-operative Bank or Multinational Foreign Banks (Name, Designation & Seal should be affixed on the copy).
- In case of NRIs, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy /Consulate General in the country where the client resides are permitted to attest the documents.

➤ **General Guidelines:**

- Always check original documents before accepting the copies
- Obtain the latest photograph of account holder/ authorized person(s)
- Check for latest IT return of the client/ Net worth Certificate for ascertaining the financial status of the client to know the client suitability of the product being sold to the client.
- 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 funds.
- Scrutinize 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 yourself whenever there is a doubt.
- For scrutiny / background check of the clients, websites such as [www.watchoutinvestors.com](http://www.watchoutinvestors.com) should be referred. Also, Prosecution Database / List of Vanishing Companies available on [www.sebi.gov.in](http://www.sebi.gov.in) and RBI Defaulters Database available on [www.cibil.com](http://www.cibil.com) can be checked.
- Keep watch on the welcome kits returned with reason - undelivered. Business Head should be alerted, client be contacted immediately on telephone and the trading, if suspected, should be suspended
- Employee of SABL group should not preferably sign as witness on the CRF.
- If Employee of SABL group introduces the client, exact relation of the client with such employee should be documented.

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*Sanjay Kumar Soman*

Director

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## (d) DOCUMENTS TO BE OBTAINED AS PART OF CUSTOMER IDENTIFICATION PROCEDURE FOR OLD CLIENTS (UN EXPIRED ORIGINAL SHOULD BE VERIFIED):

On an on-going basis, the branches should ensure that the details given in the KYC, by the client, matches with the current details of the client. If required, we can seek additional documents/information from the client to verify the financial/general status of the client.

In cases where:

- There is any material negative change in the financial details of the client from what is given in the KYC.
- If the client is not contactable/traceable or contracts notes/ communications sent are received back undelivered.
- In case the client is prohibited by any regulatory authority.
- The client refuses to provide additional information/document asked for.
- There is a material change in the mandate holder profile/details

Branches should immediately bring the same to the notice of the Business Head. The Business Head will, in turn, discuss the same with the Principal 10 Officer to decide on the necessary course of action, including reporting to FIU, New Delhi.

## 9. RISK PROFILING OF THE CLIENT

- (a) We should accept 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 branch should be classified in the following category:

### ➤ High Risk

In addition to client defined in special category, clients who have defaulted in the past, have suspicious background, and do not have any financial status and following clients are classified as high risk.

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

**\* Note High Net worth clients:** High net worth clients could be classified if at the account opening stage or during the course of the relationship, it is realized that the client's investments or the appetite for investment is high. The High net worth clients are basically categorized as the clients having annual income of Rs 25 Lakhs or more or Net worth of Rs.10 crore or more.

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

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

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## ➤ Medium Risk

Individual and Non-Individual clients falling under the definition of Speculators, Day Traders and all clients trading in Futures and Options segment.

Medium Risk clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with SABL

## ➤ Low Risk

Clients are those who pose low or Nil risk, they are good corporate, HNI who have respectable social and financial standings. Further Clients who does not fall in High / Medium Risk will fall under Low Risk Client

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

(b) We have to monitor the transactions of the High Risk and Medium Risk clients to identify any suspicious activities.

- In case the risk profile of the client changes, due to whatever circumstances like the client's financial position has worsened due to business loss, etc., the same has to be ascertained and informed to the Principal Officer immediately. This exercise has to be done on an ongoing basis by the concerned branch office.
- It is generally recognized that certain customers may be of a higher or lower risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. Typically clients should be classified as High Risk, Medium Risk, Low Risk as below:

(c) We have to be careful while monitoring the transactions of High Risk and Medium Risk category clients.

(d) 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.

(e) Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned branch officials, and reported to the Business Head immediately.

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## 10. RECORD KEEPING

For the purpose of the record keeping provision, we should ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PLM act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars. Records to be maintained should be sufficient to permit reconstruction of individual transactions (including the amounts and type of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior. Should 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 financial profile of the suspect's account. To enable this reconstruction, Organization should retain the following information for the accounts of their customers in order to maintain a satisfactory audit trail.

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

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 should retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the FMC Act, SEBI Act, Rules and Regulations framed there-under PMLA, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.

In case of transactions where any investigations by any authority has been commenced and in the case of transactions which have been the subject of suspicious transaction reporting all the records shall be maintained till the authority informs of closure of the case. More specifically, Member has put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

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

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- all cash transactions were forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

## 11. INFORMATION TO BE MAINTAINED

We will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

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

## 12. RETENTION OF RECORDS

(a) We have observed the following document retention:

- We have bound to maintain all necessary records, if any, on transactions, both domestic and international at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.
- We have also bound to kept records, if any, on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence for the period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later

(b) Following are the Document Retention Terms should be observed:

- All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period of FIVE YEARS (5) from the date of cessation of the transaction
- Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.
- Records shall be maintained in hard and soft copies.

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- All necessary records on transactions, both domestic and international, should be maintained and preserved for a period of five years from the date of transaction between the client and intermediary.
- Records on customer identification (e.g., copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of five years after the business relationship between a client and company have ended or the account has been closed, whichever is later.
- Records shall be maintained in hard and soft copies.
- In situations where the records relate to on-going investigation or transactions, which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.
- All necessary records 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, shall be maintained and preserved for a period of five years from the date of the transaction between the client and the intermediary.

### 13. MONITORING OF TRANSACTIONS

- Regular monitoring of transactions is required for ensuring effectiveness of the Anti Money Laundering procedures.
- Special attention required to all complex, unusually large transactions / patterns which appear to have no economic purpose.
- Internal threshold limits to specify for each class of client's accounts and pay special attention to the transaction, which exceeds these limits.
- Should ensure that the records of transaction is preserved and maintained in terms of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate authority.
- Suspicious transactions should also be regularly reported to the higher authorities / head of the department.

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

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## 14. SUSPICIOUS TRANSACTION MONITORING & REPORTING

All are requested to analyse and furnish details of suspicious transactions, whether or not made in cash. Suspicious transactions shall also be regularly reported to the higher authorities within the intermediary. Intermediaries shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting. It should be ensured that there is no undue delay in analysis and arriving at a conclusion. While determining suspicious transactions, intermediaries shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time. Indicative types of Suspicious Transactions, Abandoned Transactions, TAT for reporting Suspicious Transactions and additional due diligence for transactions from clients from high risk countries are also given in the FMC / SEBI circular.

### (a) 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 bonafide purpose.

### 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 or links with criminals
  
- **Suspicious Background**
  - Suspicious background or links with criminals

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- **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 for funds
  - 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 bonafide purpose
  - Source of funds are doubtful
  - Appears to be case of insider trading
  - Investment proceeds transferred to a third party
  - Transactions reflect likely market manipulations
  - Suspicious off market transactions
  
- **Value of Transactions**
  - 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

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## Policy on Identifying and Reporting suspicious transactions:

The Compliance/Principle Officer for any suspicious transactions will scrutinize transactions filtered out of the following filters in detail. As the Business dynamics are very varied and complex, defining transaction types for reporting will not be undertaken at this juncture (all CTRs & STRs). Having said that, the Principal Officer will review all the transactions thrown out by the filters and decides on a case-to-case basis to report to FIU with in stipulated time with complete details

These filters will be reviewed regularly for any updations and modifications to make the system more robust and effective.

- Cash transaction identified in a particular code.
- 3rd party cheque / DD received
- High value payin.
- Self trade/circular trading, suspected in any client code.
- Trading done in an account dormant since last Six months
- KYC objection not cleared for more than 3 months
- Code changes done after trading hours.
- Trading in illiquid scrip.
- Corporate Account financial details not received for six months.
- Gross income of client not in sync with receipts and payments in client account.

## (b) 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: and
- The parties to the transaction.
- The reason of suspicion.

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## (c) Whom to and When to Report

In terms of the PML Rules, We are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIUIND) at the following address:

Director, FIU-IND,  
Financial Intelligence Unit-India,  
6th Floor, Hotel Samrat,  
Chanakyapuri,  
New Delhi - 110021.  
Website - <http://fiuindia.gov.in/>

As per the schedule given below:

Report	Description	Due Date
CTR	All cash transactions of the value of more than Rs.10 Lakhs or its equivalent in foreign CTR currency	15th day of the succeeding month
CTR	All series of cash transactions integrally connected to each other which have been valued below Rs.10 Lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month.	15th day of the succeeding month
CCR	All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions	Not later than seven working days from the CCR has taken place facilitating the transactions date of occurrence of such transaction
STR	All suspicious transactions whether or not made in cash	Not later than seven working days on being satisfied that the transaction is suspicious
NTR	Non Profit Organization Transaction Report	Not later than seven working days on being satisfied that the transaction is suspicious

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## 15. EMPLOYEE HIRING/ TRAINING/ INVESTOR EDUCATION

- (a) **Hiring of Employees:** The Company shall have adequate screening procedures in place to ensure high standard when hiring employees. It shall identify the key positions within the Company structure having regard to the risk of money laundering and terrorist financing.
- (b) **Training of staff/Employees:** The company has adequately trained staff in AML and CFT (Combating Financing of Terrorism) procedures. The Company shall have an ongoing employee-training programmed so that the their staff are adequately trained in Anti Money Laundering and Combating Financing of Terrorism procedure. In situations where the records relate to ongoing investigations or transactions which have been the subject of a suspicious transaction reporting, the same will be retained until it is confirmed that the case has been closed
- (c) **Investor' Education:** The Company shall prepare this specific literature so that the clients/sub brokers/Authorized Person can be educated on the objectives of the Anti Money Laundering (AML) / Combating Financing of Terrorism (CFT) program.

## 16. REVIEW OF POLICY

The policy shall be reviewed from time to time as and when required by the Management and also implement the change after any change in the Anti Money Laundering Act 2002 or change in any other act, bye-laws, rules, regulations of SEBI, CBI or in any statutory and regulatory government department related to or affect to this.

## 17. DESIGNATED PRINCIPAL OFFICER

In case any further information / Clarification are required in this regard, the principal officer maybe contacted.

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