PMLA POLICY

VIKASH STOCK BROKING SERVICES PRIVATE LIMITED

REVIEWED ON 01.04.2023

ANTI MONEY LAUNDERING

Vikash Stock Broking Services Pvt. Ltd.

Vikash Kumar Bothra

Wholetime Director

COMPLIANCE OF PREVENTION AND MONEY LAUNDERING ACT (PMLA)

This modified policy pursuant to 'Prevention of money Laundering Act', 2002 (PMLA) to effectively 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 has been duly placed and approved in the meeting of Board of Directors of the Company dated 04.09.2015 in accordance with the SEBI Circular no CIR/ISD/AML/3/2010 dated December 31, 2010 and CIR/MIRSD/1/2014 dated 12.03.2014.

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.

Every possible measures are 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.

BACKGROUND:

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:

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

2. 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.

3. 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.

FINANCIAL INTELLIGENT UNIT (FIU):

The government of India set up Financial Intelligent Unit -India (FIU) on 18th November 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 transaction. 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.

"SUSPICIONS TRANSACTIONS" means 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.

OBJECTIVE

This policy provides to have a system in place to identify, monitor and reporting the suspected money laundering or terrorist financing transactions to law enforcing authorities. This policy is in conformity with SEBI Guidelines and Exchanges Requirements.

OBLIGATIONS OF INTERMEDIARIES UNDER PREVENTION OF MONEY LAUNDERING ACT, 2002 (PMLA)

- Appoint a Principal Officer who would be responsible for ensuring of provisions of PMLA
- Name, designation, address and e-mail address of such Principal officer and Designated Director be intimated to Office of Director - FIU, Delhi.
- Appoint Designated Director and intimation of the same to FIU-IND, Delhi.
- Adopt written procedures to implement the anti-money laundering provisions.
- Communicating the policies relating to PMLA/CFT to management/staff handling accounts information, securities transactions and customer records (at branches/ department/subsidiaries).
- The Policy to contain ; risk based approach, classification of clients as Clients of Special category (CSC), verification of names of customers in updated list of individuals and

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entities subject to various sanction measures of UN Security Council Committee and complying with Government order UAPA.

- ❖ Co-operation with law enforcement authorities and timely disclosure of information

THE POLICY AIMS TO ACHIEVE:

a) Customer acceptance policy and customer due diligence measures

b) Monitoring of transaction, its evaluation for the purpose and Reporting of especially Suspicious Transaction Reporting (STR) to FIU-IND.

c) Maintenance of records.

d) Compliance with statutory and regulatory requirements

e) Co-operation with law enforcing agencies, including the timely disclosure of information.

f) Proper training of the staff member in efficient monitoring the procedure.

g) Role of internal auditors to ensure compliance of policies, procedures and control to prevent money laundering.

Appointment of Principal Officer :

To prevent and control Money Laundering, we have appointed "Principal Officer" in terms of Money Laundering Act, 2002 and the same were intimated to FIU-DIRECTOR, Chanakyapuri, Delhi.

Detail of Principal Officer appointed by the Company:

Name: VIKASH KUMAR BOTHRA

Address : 18, RABINDRA SARANI, PODDAR COURT, G.N -1,3RD FLOOR, R.N.-304, KOLKATA - 700001.

RIGHTS AND POWERS OF PRINCIPAL OFFICER :

1. The principal officer / other appropriate officials have timely access to customer identification data and other CDD information.

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2. The principal officer has access and is able to report to Senior Management his/her next reporting level or the Board of Directors.

RESPONSIBILITIES:

The Principal Officer and Alternate Officer will ensure that:

A] The Board approved AML Program is implemented effectively.

B] CDSL generated data based on set parameters is downloaded timely to enable us to analyze the data and report transactions of suspicious nature to FIU-IND directly.

C] CDSL responds promptly to any request for information, including KYC related information maintained by us, made by the regulators, FIU-IND and other statutory authorities.

D] CDSL Staff are trained to address issues regarding the application of the PMLA.

E] The Staff selection and training process complies with the PMLA Policy.

F] Any other responsibilities assigned by MD & CEO or any other Official authorized by MD & CEO from time to time.

G] We are regularly updated regarding any changes / additions / modifications in PMLA provisions.

Appointment of Designated Director :

To prevent and control Money Laundering, we have appointed "Designated Director" in terms of Money Laundering Act, 2002 and the same were intimated to FIU-DIRECTOR, Chanakyapuri, Delhi.

Our Designated director is responsible to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules.

Detail of Designated Director appointed by us:

Name: Mr. VIKASH KUMAR BOTHRA

CONTENTS OF PMLA/CFT GUIDELINESS :

1. Communicating the policies relating to PMLA/CFT to management/staff handling accounts information, securities transactions and customer records (at branches/ department/ subsidiaries).
2. The above to contain ; risk based approach, classification of clients as Clients of Special category (CSC), verification of names of customers in updated list of individuals and entities subject to various sanction measures of UN Security Council Committee and complying with Government order UAPA.
3. Co-operation with law enforcement authorities and timely disclosure of information.

CLIENT DUE DILIGENCE(CDD) :

1) The company to adopt following CDD measures to conduct Client due diligence:

a. Obtain sufficient information in order to indentify 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.

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b. Verify the client's identity using reliable, independent source documents, data or information;

c. Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted;

d. 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);

e. Understand the ownership and control structure of the client;

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

g. Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

2) Policy For Acceptance Of Clients

We are taking following safeguards while accepting the clients:

1. We have instructed our account opening section not to open account in a fictitious / benami name or on an anonymous basis in any circumstances.

2. It is Necessary made proper checks before opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal

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background or with banned entities such as individual terrorists or terrorist organizations etc.

3. We have not been allowing account opening, where it is unable to apply appropriate clients due diligence measures / KYC policies i.e. it is unable to verify the identity and /or obtain documents required as per the risk categorization due to non cooperation of the Client. This shall applicable in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non genuine, or there is perceived non cooperation of the client in providing full and complete information. The market intermediary shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. The market intermediary shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.

4. We have been regularly updating KYC profile of "clients of special category" defined under Money Laundering Act 2002, if any.

5. We are taking full detail of all the clients including occupational detail and financial detail.

6. We have been properly complying documentation requirement and other information in respect of different classes of clients depending on perceived risk and having regard with the requirement to the Prevention of Money Laundering Act 2002, Rule 9 of the PML Rules, Directives, guidelines and Circulars issued by SEBI and RBI from time to time.

7. We have not been allowing any client to act on behalf of another person / entity.

8. We have been taking special caution in case of account opening of NRI, OBC, and FIIs etc.

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

10. Special instructions given to update on yearly Basis financial updates of all the clients.

3) Risk-based Approach

Client acceptance is a critical activity in AML compliance. Every new Client accepted by an institution provides the individual with an entry point to local and international financial systems. Client acceptance, thus, becomes the first step in controlling money laundering and terrorist financing.

Regulatory guidelines stipulate that a sound KYC program should determine the true identity and existence of the customer and the risk associated with the customer. It is imperative that institutions capture information about their customers' background, sources of funds, business, domicile and financial products used by them and how these are delivered to them in order to properly understand their risk profile.

Encouragingly, 88 per cent of respondents reported that they are adopting a risk based approach to account opening, and hence KYC, with another 8 per cent actively considering moving towards it.

With the multitude of requirements by different regulators around the globe, specifically when entering into a correspondent financial relationships, Indian financial institutions may have adopted a risk-based approach earlier than expected and before regulations mandated it. For local business of multinational financial institutions this would not be the case as they often adopt global policies and procedures, hence, they follow global best practices and standards.

As customer risk rating and KYC drives enhanced due diligence and ongoing monitoring it is critical that organizations conduct a comprehensive assessment to understand the

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risks associated with their business and customers. This in turn will provide a basis upon which associated policies and procedures can be developed.

Acceptance of Clients through Risk-Based Approach:

The clients 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. We should apply each of the clients due diligence measures on a risk sensitive basis. We should adopt an enhanced customer due diligence process for higher risk categories of customers. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of customers. In line with the risk-based approach, we should obtain type and amount of identification information and documents necessarily dependent on the risk category of a particular customer.

4) Risk Assessment

The Company has risk assessment mechanism to identify money laundering and terrorist financing risk assess and take effective measures to mitigate them with respect to our clients, countries or geographical areas, nature and volume of transactions, payment methods used by our clients, etc.

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

The parameters of clients into Clients of Special Category (as given below) may be classified as higher risk and higher degree of due diligence and regular update of KYC profile should be performed.

Category - A: Low Risk
Category - B: Medium Risk
Category - C: High Risk, should be classified as

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Category "A" clients are those pose low or nil risk. They are good corporate / HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.

Category "B" clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with the Company.

Category "C" clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

5) Risk Management

The Board of Directors of the company ensure that an effective KYC program is put in place by establishing appropriate procedures and ensuring their effective implementation covering proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibilities are explicitly allocated within the company for ensuring that the Company's policies and procedures are implemented effectively. The company, in consultation with boards, has decided to devise procedures for creating Risk Profiles of the existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

As The internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures, the compliance function should provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. The company will appoint and conduct Concurrent/ Internal Audits on specific intervals that will specifically check and verify the application of KYC procedures at the branches and will comment on the lapses observed in this regard. The compliance in this regard may be put up before the Board on quarterly intervals.

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The company will conduct an ongoing employee training programe so that all the staff are adequately trained in KYC procedures. Training requirements should have different focuses for frontline staff, compliance staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

Implementation of KYC procedures requires the company to demand certain information from client which may be of personal in nature or which has hitherto never been called for. This can sometimes lead to a lot of questioning by the client as to the motive and purpose of collecting such information. There is, therefore, the company will educate, from time to time, the customer of the objectives of the KYC programme.

6) Clients of special category (CSC)

CSC (Client of Special Category) Clients include the following:

1. Non-resident clients (NRI);
2. High Net worth clients (HNI)
3. Trust, Charities, NGOs and organizations receiving donations.
4. Companies having close family shareholdings or Beneficial Ownership.
5. Politically Exposed Persons (PEP) of Foreign Origin
6. 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);
7. Companies offering Foreign Exchange offerings;
8. Clients in high risk Countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual Banking Secrecy. Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the

following Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.

9. Non-face to face clients;

10. Clients with dubious reputation as per public information available etc.

7) Client identification procedure

As per code of conduct for Stock Broker in SEBI (Stock Brokers and Sub-brokers) Regulations, 1992, SEBI Master Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010 and SEBI circular CIR/MIRSD/2/2013 dated January 24, 2013, all SEBI registered market intermediaries are required to conduct due diligence on identification of Beneficial Ownership.

Accordingly the Company has formulated this Policy relating to identification of Beneficial Ownership and categorizes the Beneficial ownership for this purpose as the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a legal person or arrangement.

i. For Individual Clients (Natural Persons):

Where the Client is an Individual, to check the identity of such natural person; doing In-Person Verification as per PMLA; follow KRA regulations; conduct due diligence in accordance with norms and to do such other verifications necessary to verify the real identity of client.

ii. For clients other than individuals or trusts:

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

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a. To check the identity of Juristic person, if it is an unlisted incorporated company under the provisions of Companies Act, 1956, on MCA website at www.mca.go.in/MCA21 & to get shareholding detail of company.

b. To check the identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

c. In cases where there exists doubt under clause 4 (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means

d. Where no natural person is identified under clauses (b) or (c) above, the identity of the relevant natural person who holds the position of senior managing official

iii. For client which is a trust:

Where the client is a trust, the company will identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

iv. Politically Exposed Persons

To identify & determine through risk management system whether the client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPS.

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Further, the enhanced CDD measures as outlined in clause 5.5 shall also be applicable where the beneficial owner of a client is a PEP.

In case of client being a PEP, in order to establish business relationship it would be necessary to obtain approval from senior management. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, the company shall obtain senior management approval to continue the business relationship.

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

v. For Foreign Investors

The Company dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors for the purpose of identification of beneficial ownership of the client, it will follow the risk based due diligence approach as prescribed by SEBI Master Circular on AML No. CIR/ISD/AML/3/2010 dated December 31, 2010. Also, they shall conduct ongoing client due diligence based on the risk profile and financial position of the clients as prescribed in Annexure A of SEBI Circular CIR/MIRSD/ 11 /2012 dated September 5, 2012.

Further the company will also adhere following while identifying the clients :

1. Maintenance of updated list of individuals / entities subject to various sanctions / measures available from the site http:www.un.org/sc/committees/1267/consolist.shtml and to regularly scan all existing accounts to ensure that no account is held by any of the entities or individuals included in the above list.

2. For customers that are natural persons, it is required to obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph. For customers that are legal persons or entities, it is required to (i) verify

the legal status of the legal person/ entity through proper and relevant documents (ii) verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person, (iii) understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. Customer identification requirements in respect of a few typical cases, especially, legal persons requiring an extra element of caution.

3. In the event of matching any particulars of designated individuals/entities, we will inform the full particular of the funds, financial assets or economic resources or related services held in the form of securities, within 24 hours to the joint secretary (IS.I) Ministry of Home Affairs, at a given fax / phone number and email id and will also send the same to the email id and address of SEBI.

4. In the event of matching the details beyond doubt, we will prevent the persons from conducting any further financial transactions under intimation to the above mentioned authorities and will file STR to FIU, IND, covering all transactions.

5. The 'Know your Client' (KYC) policy is clearly defined and adopted under the supervision of Principal Officer.

6. We have been identifying the client by using reliable sources including documents / information, in person verification, etc.

7. We have seen each original document prior to acceptance of a copy and same be stamped "Verified with the original". The information collected by us is enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by us in compliance with the Guidelines.

8. We have been noting failure by prospective client to provide satisfactory evidence of identity and same to be reported to the higher authority within the organization.

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8) Reliance on third party for carrying out Client Due Diligence (CDD)

i. We may 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.

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

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.

A. The beneficial owner of the account;
B. The volume of the funds flowing through the account; and
C. For selected transactions.
D. The origin of the funds;
E. The form in which the funds were offered or withdrawn, e.g. cash, cheques etc;
F. The identity of the person undertaking the transaction;
G. The destination of the funds;

I. The form of instruction and authority.

Organization should ensure that all client and transaction records and information are made available on a timely basis to the competent investigating authorities.

INFORMATION TO BE MAINTAINED

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

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

RETENTION OF RECORDS

We have observed the following document retention:

a. 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.

b. 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.

Following are the Document Retention Terms should be observed:

1. 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.

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2. 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.

3. Records shall be maintained in hard and soft copies.

4. 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.

5. 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,

6. Records shall be maintained in hard and soft copies.

7. 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.

8. 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.

MONITORING OF TRANSACTIONS

1. Regular monitoring of transactions is required for ensuring effectiveness of the Anti Money Laundering procedures.

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2. Special attention required to all complex, unusually large transactions / patterns which appear to have no economic purpose,.

3. Internal, threshold limits to specify for each class of client's accounts and pay special attention to the transaction, which exceeds these limits.

4. 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.

5. 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.

SUSPICIOUS TRANSACTION MONITORING & REPORTING

Whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances. Followings are the circumstances, which may be in the nature of suspicious transactions :-

1. Clients whose identify verification seems difficult or clients appears to be not co-operating.

2. Asset management services for clients where the source of the funds is not clear or not in keeping with client's apparent standing / business activity; Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;

3. Substantial increases in business without apparent cause.

4. Unusually large cash deposits made by an individual or business;

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

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6. Transfer of investment proceeds to apparently unrelated third parties;

7. Unusual transactions by "Client of special category (CSCs)" and businesses undertaken by shall corporations, offshore banks / financial services, business reported to be in the nature of export import of small items.

Ongoing monitoring is an essential element of effective KYC procedures. We can effectively control and reduce the risk only if the companies have an understanding of the normal and The Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions.

Submission of such reports shall be made within the time limit prescribed as follows:-

- Suspicious transaction reports shall be submitted in writing or by fax or electronic mail within three working days from the date of occurrence of the transactions.

- Notifications issued by SEBI require STR to be reported within 7 working days of establishment of suspicion at the level of Principal Officer

All the suspicious transaction Alerts generated will be reported to FIU-IND, if required.

LIST OF DESIGNATED INDIVIDUALS/ENTITIES

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

The Company ensures that accounts of persons will not be opened whose name appears in said list. The Company will also continuously scan all existing accounts to ensure that no account is

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held by or linked to any of the entities or individuals included in the list. And in case it will find any account bearing resemblance with any of the individuals/entities in the list it shall immediately intimate the same to SEBI and FIU-IND.

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

The Company is aware that 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 company ensures the effective and expeditious implementation 85 compliance of order issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009.

REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA

a) 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 (FIU-IND) at the following address:

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

b) The company will carefully go through all the reporting requirements and formats enclosed with this circular. These requirements and formats are divided into two parts-Manual Formats and Electronic Formats which includes Cash Transaction Report-version 1.0 and Suspicious Transactions Report version 1.0. These documents contain detailed directives on the compilation and manner/procedure of submission of the manual/electronic reports to FIU-IND. The related hardware and technical requirement for preparing reports in manual/electronic format, the related data files and data structures thereof are also detailed in these documents. The Company, in case is not in a position to file electronic reports, may file manual reports with FIU-IND as per the formats prescribed. The Company will also adhere to the following:

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

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

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

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

- No nil reporting needs to be made to FIU-IND in case there are no cash/ suspicious transactions to be reported.

c) The Company will not put any restrictions on operations in the accounts where an STR has been made and will not disclose (tipping off) that a STR or related information is being reported or provided to the FIU-IND to the client at any level. The company will inform FIU & file STR if it has reasons to believe that the transactions involve proceeds of crime irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002 Website: http://fiuindia.gov.in

EMPLOYEES' HIRING/EMPLOYEE'S 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 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/Authorised Person can be educated on the objectives of the Anti Money Laundering (AML) Combating Financing of Terrorism (CFT) programme.

REVIEW OF PMLA/CFT PROCEDURES

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.

Vikash Stock Broking Services Pvt. Ltd. Kolkata