

**POLICY ON**  
**PREVENTION OF MONEY LAUNDERING ACT, 2002**

*(Ref :Sebi Circular no.:CIR/ISD/AML/3/2010 dated December 31, 2010) &*

*(CIR/MIRSD/1/2014 dated March 12, 2014)*

**SHILPA STOCK BROKER PVT. LTD.**

**MEMBER:BSE, NSE, &CDSL**

**(Updated on : 19-06-2021)**

Version No	Owned by	Approved By	Details of Changes
1.1	Principal Officer	BOD	-
1.2	Principal Officer	BOD	Periodicity of obtaining documents for CDD
1.3	Principal Officer	BOD	<ul style="list-style-type: none"><li>• Included procedure for freezing of funds and financial assets</li><li>• Points related to Appointment of Designated Director, Review of PMLA policy and Continuity elaborated and covered in detail</li></ul>
1.4	Principal Officer	BOD	<ul style="list-style-type: none"><li>• Changes subject to SEBI Master Circular SEBI/HO/MIRSD/DOS3/CIR/P/2018/104 dated 4<sup>th</sup> July, 2018</li></ul>

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PMLA Policy Reviewed by	:	Mr. Rakesh Nahar (Principal Officer)
Policy approved in Board Meeting	:	03 <sup>rd</sup> July 2021

*Ver: 1.4*

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**A. Principal Officer**

As per the requirement of Prevention of Money Laundering Act, 2002, a Principal Officer will be appointed and informed to FIU. Principal Officer will be responsible for reporting any transactions covered under Prevention of Money Laundering Act, 2002.

**B. Money laundering monitoring infrastructure**

- Appropriate provisions shall be made in the back office software to monitor and manage compliance related to Money Laundering.
- Suitable team of members shall be constituted for monitoring and reporting money laundering activity. Minimum team size shall be 2 members and it shall be headed by the Principle Officer.

**C. Customer Due Diligence**

**1. Customer acceptance procedures adopted include following processes:**

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 Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed in the United Nations website at <http://www.un.org/sc/committees/1267/consolist.shtml>  
<http://www.un.org/sc/committees/1988/list.shtml>

Risk assessment of clients shall also be done as from various websites like [www.watchoutinvestors.com](http://www.watchoutinvestors.com).

Before opening any new account, it will be ensured that the name/s of the proposed customer does not appear in the list. Further, continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list should immediately be intimated to SEBI and FIU-IND

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- i. Customer identification and In-person verification of the customer, depending on nature /status of the customer and kind of transactions that are expected by the customer. Also at the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship.
- ii. One certified copy of an 'officially valid document' containing details of his identity and address, one recent photograph and such other documents including in respect of the nature of business and financial status of the client.
- iii. False / incorrect identification of documents
- iv. Client should remain present for registration personally
- v. Compliance with guidelines issued by various regulators such as SEBI, FIU, RBI etc.
- vi. Establishing identity of the client, verification of addresses, phone numbers and other details.
- vii. Obtaining sufficient information in order to identify persons who beneficially own or control the trading account and demat account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by entity other than the client
- viii. Verification of the genuineness of the PAN provided by the client such as comparing with original PAN, checking details on the Income tax website etc.
- ix. Checking original documents before accepting a copy.
- x. Asking for any additional information as deemed fit on case to case basis to satisfy about the Genuineness and financial standing of the client.
- xi. Whether the client has any criminal background, whether he has been at any point of time been associated in any civil or criminal proceedings anywhere.
- xii. Checking whether at any point of time he has been banned from trading in the stock market.

**Reliance on Third Party for carrying CDD:**

- xiii. For corporate clients whenever required independent inspection shall be conducted from the website of ROC (Registrar of Companies). For Partnership Firms, inspection



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may be carried out with ROF (Registrar of Firms). For balance client, verification shall be carried out by internal staff only.

- xiv. *Clients may be introduced by Sub-Broker, Authorized Person, existing clients etc. In such cases, introducer's details shall also be captured. Each client will be required to strictly and compulsorily fulfill documentary requirement. In-person verification and verified with original shall be done by Sub-Broker and Authorized Persons. In other cases the same shall be done by employees only.*

And

**In all other cases, verify identity while carrying out:**

Transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or

- i. Any international money transfer operations.
  - (1 A) Identify the beneficial owner and take all reasonable steps to verify his identity.
  - (1 B) Ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that the same is consistent with knowledge of the customer, his business and risk profile.
  - (1 C) Member shall keep any anonymous account or account in fictitious names.

**For existing clients processes include:**

- i. Review of KYC details of all the existing active clients in context to the PMLA 2002 requirements.
- ii. Classification of clients into high, medium or low risk categories based on KYC details, trading activity etc for closer monitoring of high risk categories.
- iii. Obtaining of annual financial statements from all clients, particularly those in high risk categories.
- iv. In case of non individuals client additional information about the directors, partners, dominant promoters, and major shareholders is obtained.
- v. It shall be ensured that the accounts are not opened in the name of anyone whose name appears individuals and entities subject to sanction measures issued by UNSCR's.



**Periodic updation and reviewed of Client Information:**

Documents, data or information of all clients and beneficial owners collected under the CDD process shall be periodically updated preferably once in a year for active clients.

**D. Risk based approach & Risk Assessment:**

Following Risk based KYC procedures are adopted for all clients:

- i. Large number of accounts having a common account holder
- ii. Unexplained transfers between multiple accounts with no rationale
- iii. Unusual activity compared to past transactions
- iv. Doubt over the real beneficiary of the account
- v. Payout/pay-in of funds and securities transferred to /from a third party
- vi. Off market transactions especially in illiquid stock and in F & O, at unrealistic prices
- vii. Large sums being transferred from overseas for making payments
- viii. Inconsistent with the clients' financial background
- ix. To identify the client and the risk factors by referring the webpage [http://www.un.org/sc/committees/1267/aa\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aa_sanctions_list.shtml) and <http://www.un.org/sc/committees/1988/list.shtml>.
- x. Client accounts shall be continuously scanned to ensure that no account is held by or linked to any of the entities or individuals included in sanction list.

**E. Clients of special category (CSC)**

- i. Non resident clients,
- ii. High net-worth clients, *[high net worth client could be classified as such if at the account opening time or during the course of the trading relationship, it is realised that the client investment or the appetite for investment is very high (equal to or above 25 lakhs.)]*
- iii. Trust, Charities, NGOs and organizations receiving donations,
- iv. Companies having close family shareholdings or beneficial ownership,
- v. 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 clause 5.5 (Page 19 of the Master Circular) shall also be applied to the accounts of the family members or close relatives of PEPs,

- vi. Companies offering foreign exchange offerings,
- vii. 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 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 center, tax havens, countries where fraud is highly prevalent,
- viii. Non face to face clients,
- ix. Clients with dubious reputation(*define : If a client's reputation during the opening of the account or post opening the account is known to be not good, then the same is marked in "client with dubious public reputation" category.*) as per public information available etc.
- x. Where the client is a juridical person, verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person.

**F. Monitoring & Reporting of Suspicious Transactions:**

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

- i. gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- ii. appears to be made in circumstances of unusual or unjustified complexity; or
- iii. appears to have no economic rationale or bonafide purpose; or
- iv. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;'

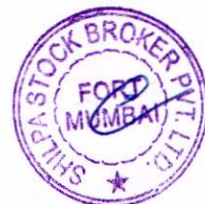


**Ongoing monitoring of accounts which includes**

- i. Identification and detection of apparently abnormal transactions.
- ii. Generation of necessary reports/alerts based on clients' profile, nature of business, trading pattern of clients for identifying and detecting such transactions. These reports/alerts are analyzed to establish suspicion or otherwise for the purpose of reporting such transactions.
- iii. *Expiry dates on various Document like passport, driving license shall be monitored. Revised documents shall be obtained on such expiry. Dormant accounts for more than 3 years shall not be active without obtaining fresh Identity, address and other proofs. Income of all active clients shall be reviewed annually.*

**Following parameters may be additionally used for customer due Diligence:**

- i. Clients whose identity verification seems difficult or clients appear not to cooperate
- ii. Substantial increase in activity without any apparent cause
- iii. Large number of accounts having common parameters such as common partners / directors / promoters / address / email address / telephone numbers / introducers or authorized signatories;
- iv. Transactions with no apparent economic or business rationale
- v. Sudden activity in dormant accounts;
- vi. Source of funds are doubtful or inconsistency in payment pattern;
- vii. Unusual and large cash deposits made by an individual or business;
- viii. Transfer of investment proceeds to apparently unrelated third parties;
- ix. Multiple transactions of value just below the threshold limit of Rs 10 Lacs specified in PMLA so as to avoid possible reporting;
- x. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- xi. Purchases made on own account transferred to a third party through off market transactions through DP Accounts;





- xii. Suspicious off market transactions;
- xiii. Large deals at prices away from the market.
- xiv. Accounts used as 'pass through'. Where no transfer of ownership of securities or trading is occurring in the account and the account is being used only for funds transfers/layering purposes.
- xv. All transactions involving receipts by non-profit organizations of value more than rupees ten lakhs, or its equivalent in foreign currency;
- xvi. Clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'Clients of Special Category'. Such clients should also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.
- xvii. Irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, file STR if we have reasonable grounds to believe that the transactions involve proceeds of crime."

**G. Reporting of Suspicious Transactions:**

- i. All suspicious transactions will be reported to FIU. Member and its employees shall keep the fact of furnishing information in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 strictly confidential.
- ii. The background including all documents/office records/memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents should be made available to auditors and also to SEBI /Stock Exchanges/FIU-IND/Other relevant Authorities, during audit, inspection or as and when required. These records are required to be preserved for minimum period as is required under PMLA 2002.

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- iii. The Principal Officer and related staff members shall have timely access to customer identification data and other CDD information, transaction records and other relevant information. The Principal Officer shall have access to and be able to report to senior management above his/her next reporting level or the Board of Directors.
- iv. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU-IND.
- v. Reporting of suspicious transactions relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) through its website as per the procedure laid down or at the following given address:

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

- vi. The reporting format, manner and procedure for online submission is shall be as provided on the website of FIU-India. The reporting shall be as follows:
  - a) The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
  - b) 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.
  - c) The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND
  - d) Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.
  - e) No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious/ non – profit organization transactions to be reported



- vii. There shall not be any restrictions on operations in the accounts where an STR has been made.
- viii. Company or directors, officers and employees (permanent and temporary) are prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND during, before or after submission of STR.
- ix. STR shall be filed irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, if there are reasonable grounds to believe that the transactions involve proceeds of crime.

**H. Ongoing training to Employees:**

- i. Importance of PMLA Act & its requirement to employees through training.
- ii. Ensuring that all the operating and management staff fully understands their responsibilities under PMLA for strict adherence to customer due diligence requirements from establishment of new accounts to transaction monitoring and reporting suspicious transactions to the FIU.
- iii. Organising suitable training programmes wherever required for new staff, front-line staff, supervisory staff, etc.

**I. Audit and Testing of Anti Money Laundering Program.**

The Anti Money Laundering program is subject to periodic audit, specifically with regard to testing its adequacy to meet the compliance requirements. The audit/testing is conducted by Trading Member’s own personnel not involved in framing or implementing the AML program. The report of such an audit/testing is placed for making suitable modifications/improvements in the AML program.

**J. Maintenance of record of transactions prescribed under Rule 3 of PML Rules as mentioned below:**

- i. All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- ii. 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;
- iii. 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;
- iv. All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

**K. System & Procedure for hiring of employees:-**

- i. Reference of candidate: - Candidate having reference would be called for the interview. In case of employee having applied through news paper would be called for the interview after scrutinizing his/ her bio data.
- ii. Back ground of the candidate: - Background of the employee should be clean & under no circumstances candidate who has left earlier employer due to dispute should be selected.
- iii. Third party verification of candidate: - If necessary third party verification should be done by making phone call.
- iv. Experience: - Candidate should have to appear for the skilled test depending on the exposure.
- v. Candidate should be aware for PMLA 2002 guidelines. Proper training should be given if he/she is not aware.

**L. Identification of Beneficial Ownership**

• **For clients other than individuals or trusts:**

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

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

Explanation: Controlling ownership interest means ownership of/entitlement to:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

B. 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.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

C. Where no natural person is identified under clauses 4 (a) or 4 (b) above, the identity of the relevant natural person who holds the position of senior managing official.



- **For client which is a trust:**

Where the client is a *trust*, the intermediary shall 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.

- **Exemption in case of listed companies:**

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

- **Applicability for foreign investors:**

Intermediaries dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client.

**M. Investors Education:**

As the implementation of AML / CFT measures being sensitive subject and requires us to demand and collect certain information from investors which may be of personal in nature or has hitherto never been called for, which information include documents evidencing source of funds / income tax returns / bank records etc. and can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. There is, therefore, a need for us to sensitize the clients about these requirements, as the ones emanating from AML and CFT framework. We shall circulate the PMLA Circulars and other specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT program. The same shall also be emphasized on, in the Investor Awareness Programs conducted by us at frequent intervals of time. The importance of the same is also made known to them at the time of opening the Account.



**N. Record Keeping & retention of documents and record :**

The records of documents shall be maintain and preserve evidencing the identity of clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for minimum period as prescribed under PMLA and SEBI act. Records relating to ongoing investigations to be retained after the business relationship between a client and us have ended or the account has been closed, whichever is later."

Records of information reported to the Director, Financial Intelligence Unit - India (FIU-IND): shall be maintained and to be 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 minimum period as prescribed under PMLA and SEBI act from the date of the transaction between the client and the intermediary.

**O. Appointment of Designated Director:**

A Designated Director shall be appointed as defined in rule 2 (ba) of PMLA rules. FIU-India shall be liable to take appropriate action including levying monetary penalty on failure to comply with AML/CFT obligation. Any appointment and change thereof in Designated Director shall be intimated to FIU-India.

**P. Periodic Review of Policy:**

The organization realizes that any policy can be effectively only if the same is reviewed and maintained in the light of latest changes. Thus changes shall be required for accommodating new changes in the Act, Rules, SEBI, Exchange, Depository regulations. Thus the changes shall be effected by a Committee comprising of Designated Director and Principal Officer headed duly by the latter at the end of 6 months of each financial year. The same shall be accordingly modified as required and placed before the Board. Further, the policy shall be communicated to employees, clients etc.



**Q. Procedure for freezing/unfreezing of funds, financial assets or economic resources or related services:**

Member is aware that Under section 51A of Unlawful Activities (Prevention) Act, 1967, 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. Central Government Order dated 27<sup>th</sup> August, 2009 detailing procedure under Section 51A of UAPA has been modified as per order dated 14<sup>th</sup> March, 2019 in view of reorganization of Ministry of Home Affairs and allocation of work to Counter Terrorism and Counter Radicalization (CTCR) Division

An individual or entity whose funds or financial assets or economic resources have been inadvertently frozen shall make a written application with evidence to Stock Exchange/ Depositories and financial intermediaries.

A copy of the application shall be forwarded by such Stock Exchange/ Depositories and financial intermediaries to the Appropriate Authority within 2 working days. The application shall be forwarded along with complete details of Assets or Funds etc frozen.

Appropriate Authority shall after due verification and consideration of facts, pass such an order as appropriate in favour of the applicant or give reasons in writing for passing an adverse order. The order shall be communicated to Stock Exchange and Financial intermediaries, who in turn shall unfreeze the account.



**R. Continuity:**

The policy shall remain valid for any segment or exchange for which membership is obtained in future.

**S. List of the persons Designated for PMLA:**

Designated Director	:	Name: Mr. Anil Maliwal E-mail ID: <a href="mailto:info@ssbpl.net">info@ssbpl.net</a> Contact Number: 022 - 40324301
Principal Officer	:	Name: Mr. Rakesh Nahar E-mail ID: <a href="mailto:rakesh@ssbpl.net">rakesh@ssbpl.net</a> Contact Number: 022 - 40324361
Compliance Officer	:	Name: Mr. Jyotiprasad Lekhwar E-mail ID: <a href="mailto:prasad@ssbpl.net">prasad@ssbpl.net</a> Contact Number: 022 - 40324331

**For Shilpa Stock Broker Private Limited**



**Anil Rameshwarlal Maliwal  
Designated Director**

