

CONSORTIUM SECURITIES PVT. LTD.

Prevention of Money Laundering Act (“PMLA”) Policy

Version 2.0

Version 2.0

PREPARED BY	Approved BY	Effective Date	Next Revision Date
Name: Pardeep Raj	Name: Madan Mohan Singh	30-10-2019	
Signature:	Signature:		

VERSION HISTORY

VERSION #	Effective DATE	AUTHORIZED BY
2.0	Second Version	Mr. Madan Mohan Singh

Distribution List

#	Name of the TM and DP
1	<p>Board of Directors : Mr. P.S. Kalra</p> <p style="padding-left: 40px;">Mr. Harveer Singh Kalra</p> <p style="padding-left: 40px;">Mr. Sanjay Vats</p> <p style="padding-left: 40px;">Mr. Madan Mohan Singh</p> <p style="padding-left: 40px;">Ms. Sarika Sood</p>
2	<p>Principal Officer - Mr. Pardeep Raj</p> <p style="padding-left: 40px;">1. Designated Director – Mr. Sanjay Vats</p>
3	<p>Any other entity authorized by the Principal Officer : NA</p>

As on Date

#	Name of the TM and DP
1	<p>Board of Directors : Mr. P.S. Kalra</p> <p style="padding-left: 40px;">Mr. Harveer Singh Kalra</p> <p style="padding-left: 40px;">Mr. Madan Mohan Singh</p> <p style="padding-left: 40px;">Mr. Norbert Dsa</p> <p style="padding-left: 40px;">Ms. Sarika Sood</p>
2	<p>Principal Officer - Mr. Pardeep Raj</p> <p style="padding-left: 40px;">1. Designated Director – Mr. Madan Mohan Singh</p>
3	<p>Any other entity authorized by the Principal Officer : NA</p>
4	<p>Note: Change of Designated Director Reported to FIU on 06/10/2020</p>

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Documents for Know Your Client – Account opening.

1. Introduction:

M/s Consortium Securities Pvt. Ltd. is registered with NSE/BSE/MSEI/MCX as a Member and with NSDL as Depository Participant.

Consortium Securities Pvt. Ltd. trades on the Exchanges through Exchange Terminals viz., Neat / TWS / NOW / BEST Terminal. It has CTCL Facility, provides IBT etc to its clients. It has only 15 offices including own branches. It is doing Own Trading and clients trading. It has 70 employees and has back office software of Shilpi Computers P Ltd

This policy is based on the above facts.

This Document describes the PMLA policy of **M/s Consortium Securities Pvt. Ltd. (CSPL)** that should be implemented and practiced for client account opening procedures and maintain records of such transactions as prescribed by the PMLA, 2002 and rules notified there under so as to ensure compliance to the SEBI Circular **SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113, October 15, 2019**

The PMLA policy is designed as per PMLA, 2002 guidelines for Stock Brokers / Depository Participants by SEBI vide circulars issued on various dates as mentioned in Annexure A. Henceforth, these circulars listed above will be referred to as “Regulatory Guidelines” which will include SEBI, NSE, BSE, NSDL, and any other relevant regulatory body governing the business of brokers and Depository Participants.

To ensure compliance with the regulatory guidelines, a comprehensive document is prepared as under.

Structure of the document is as under

This document is divided into various sections and each section is structured as under

- **Policy Objectives:** This section broadly describes the reasons for preparing the policy.
- **Policy Background:** This section defines various internal and external entities to which the policy applies.
- **Policy Statement(s):** This section describes the PMLA Policies for each area.
- **Detailed Procedures:** This section describes the PMLA Policies at detailed level, so as to help implement and comply with the Anti Money Laundering Policies.

1.1. Policy Objective

To ensure proper direction and Governance of Prevention of Money Laundering Act, 2002, a Principal Officer and a designated Director has been assigned to review the provisions and to ensure compliance with the various circulars related to PMLA

1.2. Policy Background

As per the provisions of the PMLA, a stock-broker, DP associated with securities market and registered under Section 12 of the SEBI Act , shall have to maintain a record of all the

transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Such transactions include;

- All cash transactions of the value of more than ` 10 lakh or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below ` 10 lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency
- 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.

For the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered. In case there is a variance in CDD/AML standards prescribed by SEBI and the regulators of the host country, branches/overseas subsidiaries of intermediaries are required to adopt the more stringent requirements of the two.

1.3. Policy Statement(s)

Principal Officer of CSPL shall be fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. CSPL shall:

- a) issue a statement of policies and procedures, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements
- b) Ensure that the content of these Directives are understood by all staff members. Regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, the Principal Officer shall frame the policy and the Designated Director shall be reviewing the policy and procedure.
- c) adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF
- d) undertake client due diligence ("CDD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction
- e) have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and

- f) develop staff members' awareness and vigilance to guard against ML and TF
- g) Policies and procedures to combat ML shall cover:
 - A. Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;
 - B. Client acceptance policy and client due diligence measures, including requirements for proper identification;
 - C. Maintenance of records;
 - D. Compliance with relevant statutory and regulatory requirements;
 - E. Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and
 - F. Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF,.

2. Detailed Policies:

2.1. Anti Money Laundering Procedures

2.1.1. Client Due Diligence Process:

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

2.2. Client Due Diligence (CDD)

2.2.1. The CDD measures adopted by CSPL comprise the following:

- a) Obtaining 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
- 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 -

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, CSPL identifies the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

aa) 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.

bb) In cases where there exists doubt under clause (aa) 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.

cc) Where no natural person is identified under clauses (aa) or (bb) 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, CSPL 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.

ii. **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.

iii. **Applicability for foreign investors:** CSPL dealing with foreign investors' shall be guided by the clarifications issued vide SEBI circulars [CIR/MIRSD/11/2012](#) dated September 5, 2012 and [CIR/ MIRSD/ 07/ 2013](#) dated September 12, 2013, for the purpose of identification of beneficial ownership of the client.

iv. To monitor the compliance of the aforementioned provision on identification of beneficial ownership CSPL shall do it by their Board of Directors

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).

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

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

2.2.2. Policy for acceptance of clients:

2.2.2.1. CSPL has client acceptance policies and procedures that aim to identify the types of clients that are likely to pose a higher than average risk of ML or TF. By establishing such policies and procedures, we shall apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. In a nutshell, the following safeguards are followed while accepting the clients:

- a) No account is opened in a fictitious / benami name or on an anonymous basis.
- b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (**KYC**) profile.
- c) Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.
- d) Client account is not opened where CSPL is unable to apply appropriate CDD measures/ KYC policies. This shall apply 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 - co-operation of the client in providing full and complete information. CSPL 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. It shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. CSPL shall report any such suspicious trades to the Board of directors.
- e) The client is not permitted to act on behalf of another person / entity.
- f) CSPL shall ensure that the client account operated, transaction limits for the operation, additional authority required for transactions exceeding a specified

quantity/value and other appropriate details are specified as per the guidelines. Further the rights and responsibilities of both the client and CSPL are as per the SEBI guidelines. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.

- g) Necessary checks and balance are in place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.
- h) CSPL shall revisit the CDD process when there are suspicions of money laundering or financing of terrorism (ML/FT)

2.2.3. Risk-based Approach

2.2.3.1. CSPL has a robust risk based categorisation of clients. The Clients are categorised into high, medium or low risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. CSPL shall apply each of the client due diligence measures on a risk sensitive basis. CSPL shall adopt an enhanced client due diligence process for higher risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that CSPL shall obtain necessarily depend on the risk category of a particular client. Risk category of Customers:

Risk Category	Category of Client
High	Corporate, NRI
Medium	LLP
Low	Ordinary Resident / Retail Clients

2.2.3.2. Further, CSPL shall ensure that low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk

2.2.3.3. Risk Assessment

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

The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment is documented, updated regularly and made available to the Board of Directors.

2.2.4. CSPL has identified Clients of special category (CSC):

Such clients include the following:

- a) Non - resident clients
- b) High net-worth clients,
- c) Trust, Charities, Non-Governmental Organizations (NGOs)and organizations receiving donations
- d) Companies having close family shareholdings or beneficial ownership
- e) Politically Exposed Persons (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The additional norms applicable to PEP as contained in the subsequent para 2.2.5 of this circular shall also be applied to the accounts of the family members or close relatives of PEPs.
- f) Companies offering foreign exchange offerings
- g) Clients in high risk countries. While dealing with clients from or situate in high risk countries or geographic areas or when providing delivery of services to clients

through high risk countries or geographic areas i.e. places where existence or effectiveness of action against money laundering or terror financing is suspect, intermediaries apart from being guided by the Financial Action task Force (FATF) statements that inter alia identify such countries or geographic areas that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org) from time to time, shall also independently access and consider other publicly available information along with any other information which they may have access to.

- h) However, this shall not preclude CSPL from entering into legitimate transactions with clients from or situate in such high risk countries and geographic areas or delivery of services through such high risk countries or geographic areas.
- i) Non face to face clients
- j) Clients with dubious reputation as per public information available etc.

2.2.5. Client identification procedure: CIP

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

CSPL shall comply with the following requirements while putting in place a Client Identification Procedure (**CIP**):

- a) KYC Policy has appropriate risk management systems to determine whether the client or potential client or the beneficial owner of such client is a politically exposed person. CSPL shall seek relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPS. Further, the enhanced CDD measures shall also be applicable where the beneficial owner of a client is a PEP.
- b) CSPL shall obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, registered shall obtain senior management approval to continue the business relationship.
- c) CSPL shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
- d) The client shall be identified by CSPL by using reliable sources including documents / information. CSPL shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- e) CSPL shall ensure that due diligence is observed in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.
- f) Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority in CSPL

- g) CSPL shall follow the SEBI prescribed requirements relating to KYC for certain classes of registered intermediaries from time to time as detailed as under. The objective is to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that the company is aware of the clients on whose behalf it is dealing. The internal directives is based on company's experience in dealing with their clients and legal requirements as per the established practices. CSPL shall conduct ongoing due diligence where it notices inconsistencies in the information provided.
- h) If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our company will not open the new account.
- i) All PAN Cards received will verified form the Income Tax / NSDL website before the account is opened
- j) All documents for POI (Proof of Identity) and POA (Proof of address) shall be Originally Seen and Verified (OSV) by the employee of the company or its authorized person.
- k) The customer shall be met in person by the employee of the company or its authorized person and the KYC document shall be signed (IPV).
- l) The company shall maintain records of all identification information for ten years after the account has been closed.
- m) At the time of opening an account or executing any transaction with it, the company will verify and maintain the record of identity and current address or addresses including permanent address or addresses of the customer, the nature of business of the customer and his financial status as under mentioned in Annexure 2.
- n) CSPL shall ensure no exemption is done from carrying out CDD exists in respect of any category of clients. There shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures.

2.2.6. Reliance on third party for carrying out Client Due Diligence (CDD):

CSPL doesn't rely on third party for carrying out CDD.

2.3. Record Keeping

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

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

2.3.3. 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 a financial profile of the suspect account. To enable this reconstruction, CSPL shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

- a) the beneficial owner of the account;
- b) the volume of the funds flowing through the account; and
- c) for selected transactions:
 - i. the origin of the funds
 - ii. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
 - iii. the identity of the person undertaking the transaction;
 - iv. the destination of the funds;
- v. the form of instruction and authority.

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

2.3.5. CSPL has a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- a) all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- b) all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency

where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;

- c) 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;
- d) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

2.4. Information to be maintained

2.4.1. CSPL shall maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

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

2.5. Retention of Records

2.5.1. CSPL has an internal mechanism for proper maintenance and preservation of records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PML Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and CSPL

2.5.2. 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 CSPL has ended or the account has been closed, whichever is later.

2.5.3. Thus the following document retention terms shall be observed:

- a) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.
- b) CSPL shall maintain and preserve the records of documents evidencing the identity of its clients and beneficial owners (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 CSPL has ended or the account has been closed, whichever is later.

2.5.4. In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.

2.5.5. Records of information reported to the Director, Financial Intelligence Unit – India (FIU – IND): CSPL shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and CSPL.

2.6. Monitoring of transactions

2.6.1. CSPL shall regularly monitor client transactions for ensuring effectiveness of the AML procedures so that it can identify deviations in transactions / activities. Nature of transactions may be as follows:

- i. Unusual or unjustified complexity.
- ii. No economic rationale or bonafide purpose.
- iii. Source of funds is doubtful.
- iv. Appears to be case of insider trading.
- v. Investment proceeds transferred to a third party.
- vi. Transactions reflect likely market manipulations.
- vii. Suspicious off market transactions

2.6.2. Transaction monitoring shall be done for all complex unusually large transactions / patterns which appear to have no economic purpose. Following criterion shall be followed by CSPL:

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

CSPL shall specify internal threshold limits for each class of client accounts and shall pay special attention to transactions which exceeds these limits. The background including all documents/office records /memorandums/clarifications are sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made

available to auditors and also to SEBI/stock exchanges/FIUIND/ other relevant Authorities, during audit, inspection or as and when required.

The Alert shall be generated on the basis of following criteria and re- categorization shall be done in case the following limit is breached by the client defined in a specific risk category

Equity Market

Low	Delivery Transaction \leq 30 Lakhs (Quarterly) Jobbing Transaction \leq 10 Crore (Quarterly)
Medium	Delivery Transaction \geq 30 Lakhs to 1 Crore (Quarterly) Jobbing Transaction \geq 10 Crore to 50 Crore (Quarterly)
High	Delivery Transaction \geq 1 Crore or above (Quarterly) Jobbing Transaction \geq 50 Crore or above (Quarterly)

Derivative Market – Equity / Currency Future & Option

Future

Low	Turnover \leq 10 Crore (Quarterly)
Medium	Turnover \geq 10 Crore to 100 Crore (Quarterly)
High	Turnover \geq 100 Crore and above (Quarterly)

Option

Low	Premium Turnover \leq 20 Lakhs (Quarterly)
Medium	Premium Turnover \geq 20 Lakhs to 50 Lakhs (Quarterly)
High	Premium Turnover \geq 50 Lakhs and above (Quarterly)

Derivative Market – Commodities

Low	Turnover \leq 50 Crore (Quarterly)
Medium	Turnover \geq 50 Crore to 500 Crore (Quarterly)
High	Turnover \geq 500 Crore and above (Quarterly)

Option

Low	Premium Turnover \leq 20 Lakhs (Quarterly)
Medium	Premium Turnover \geq 20 Lakhs to 50 Lakhs (Quarterly)
High	Premium Turnover \geq 50 Lakhs and above (Quarterly)

These records shall be maintained and preserved for a period of five years from the date of transaction between the client and intermediary.

2.6.3. CSPL shall ensure record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the Board of Directors of CSPL. Criterion for Suspicious transactions as decided by CSPL:

Identity of Customer:

- i. False identification documents
- ii. Identification documents which could not be verified within reasonable time
- iii. Non-face to face customer
- iv. Doubt over the real beneficiary of the account
- v. Accounts opened with names very close to other established business entities

Suspicious Background:

Suspicious background or links with known criminals

Multiple Accounts:

- a. Large number of accounts having a common account holder, introducer or authorized signatory with no rationale
- b. Unexplained transfers between multiple accounts with no rationale

Activity in Accounts

- a. Unusual activity compared to past transactions
- b. Use of different accounts by customer alternatively
- c. Sudden activity in dormant accounts
- d. Activity inconsistent with what would be expected from declared business
- e. Account used for circular trading

2.6.4. CSPL shall randomly examine a selection of transactions undertaken by clients as mentioned above to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

2.7. Suspicious Transaction Monitoring and Reporting

2.7.1. CSPL shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, the company shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

2.7.2. A list of circumstances which may be in the nature of suspicious transactions is given below. Whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:

- a) Clients whose identity verification seems difficult or clients that appear not to cooperate
- b) Asset management services for clients where the source of the funds is not clear or not in keeping with clients' apparent standing /business activity;
- c) Clients based in high risk jurisdictions;
- d) Substantial increases in business without apparent cause;
- e) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- f) Attempted transfer of investment proceeds to apparently unrelated third parties;
- g) Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export-import of small items.
- h) all cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency
- i) Off market transfer of shares for value more than 5 lacs.

2.7.3. Any suspicious transaction shall be immediately notified to the Principal Officer of CSPL. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/ suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Principal Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

2.7.4. In cases where transactions are abandoned or aborted by clients on being asked to give some details or to provide documents, CSPL shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

2.7.5. 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 'CSC' shall also be subject to appropriate counter measures viz. 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.

2.8. List of Designated Individuals/ Entities

2.8.1. 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>. CSPL shall ensure that accounts are not opened in the name of anyone whose name appears in said list. CSPL shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU-IND.

2.9. Procedure for freezing of funds, financial assets or economic resources or related services

2.9.1. In Compliance with the procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA), and its UAPA Amendment Act, 2008, CSPL shall maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order, herein after, referred to as designated individuals/entities are holding any funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., with them.

2.9.2. In case, the particulars of any of their customers match with the particulars of designated individuals/entities, Principal Officer of CSPL shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., held by such customer on their books to the Joint Secretary (CTCR), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. E-mail id: isctcr-mha@gov.in

2.9.3. CSPL shall also send a copy of the communication mentioned in (ii) above to the UAPA nodal officer of the state/UT where the account is held and Regulators and FIU-IND, as the case may be.

2.9.4. Such a client shall be prohibited from conducting financial transactions, under intimation to the Joint Secretary (CTCR), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. E-mail id: isctcr-mha@gov.in

2.9.5. CSPL shall file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph (ii) above, as per the prescribed format.

2.10. Reporting to Financial Intelligence Unit-India

2.10.1. CSPL shall to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

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

2.10.2. CSPL shall report to FIU – IND under the Section Obligation of Reporting Entity – Furnishing Information – Reporting Format (https://fiuindia.gov.in/files/downloads/Filing_Information.html) and shall adhere to the following:

- 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 Non Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- d) The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
- e) Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND.
- f) No nil reporting shall be made to FIU-IND in case there are no cash/ suspicious/ non – profit organization transactions shall be reported.

2.10.3. CSPL shall not put any restrictions on operations in the accounts where an STR has been made. CSPL shall ensure that their directors, officers and employees (permanent and temporary) shall be prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/ or related information but even before, during and after the submission of an STR. It shall be ensured that there is no tipping off to the client at any level

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

2.11. Designation of officers for ensuring compliance with provisions of PMLA

2.11.1. Appointment of a Principal Officer:

To ensure that CSPL properly discharge their legal obligations to report suspicious transactions to the authorities, the Principal Officer has been appointed. He 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 report to the Board of Directors. Names, designation and addresses (including email addresses) of ‘Principal Officer’ has been duly intimated to the Office of the Director-FIU. ‘Principal Officer’ is of a sufficiently senior position and shall discharge the functions with independence and authority.

2.11.2. Appointment of a Designated Director:

CSPL has also designated a person as a 'Designated Director'.

He shall ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes the Managing Director duly authorized by the Board of Directors

CSPL has communicated the details of the Designated Director – name, designation and address to the Office of the Director, FIU – IND.

2.12. Employees’ Hiring/Employee’s Training/ Investor Education:

2.12.1. Hiring of Employees

CSPL has adequate screening procedures in place to ensure high standards when hiring employees. The company has identified the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing. The Company ensures that the employees taking up such key positions are suitable and competent to perform their duties.

2.12.2. Employees' Training:

CSPL has an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training has specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. It is ensured that the employees fully understand the rationale behind the PMLA directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

2.12.3. Investors Education:

CSPL sensitizes their clients about the requirements emanating from AML and CFT framework. The company has prepared specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme.

3. ANNEXURE 1

CUSTOMER IDENTIFICATION PROCEDURE FOR ACCOUNT OPENING

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. Based on risk perception, type / entity of customer, segment of customer following features shall be verified with supporting documents obtained from the customers –

INSTRUCTIONS/CHECK LIST FOR FILLING KYC FORM

A. IMPORTANT POINTS:

1. Self attested copy of PAN card is mandatory for all clients, including Promoters/Partners/Karta/Trustees and whole time directors and persons authorized to deal in securities on behalf of company/firm/others.
2. Copies of all the documents submitted by the applicant should be self-attested and accompanied by originals for verification. In case the original of any document is not produced for verification, then the copies should be properly attested by entities authorized for attesting the documents, as per the below mentioned list.
3. If any proof of identity or address is in a foreign language, then translation into English is required.
4. Name & address of the applicant mentioned on the KYC form, should match with the documentary proof submitted.
5. If correspondence & permanent address are different, then proofs for both have to be submitted. 6. Sole proprietor must make the application in his individual name & capacity.
7. For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card and overseas address proof is mandatory.
8. For foreign entities, CIN is optional; and in the absence of DIN no. for the directors, their passport copy should be given.
9. In case of Merchant Navy NRI's, Mariner's declaration or certified copy of CDC (Continuous Discharge Certificate) is to be submitted.
10. For opening an account with Depository participant or Mutual Fund, for a minor, photocopy of the School Leaving Certificate/Mark sheet issued by Higher Secondary Board/Passport of Minor/Birth Certificate must be provided.
11. Politically Exposed Persons (PEP) are defined as 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.

B. Proof of Identity (POI): - List of documents admissible as Proof of Identity:

1. Unique Identification Number (UID) (Aadhaar)/ Passport/ Voter ID card/ Driving license. 2. PAN card with photograph.

3. 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.

C. 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.)

1. Passport/ Voters Identity Card/ Ration Card/ Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance Copy.
2. Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill - Not more than 3 months old.
3. Bank Account Statement/Passbook -- Not more than 3 months old.
4. Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
5. 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.
6. 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.
7. The proof of address in the name of the spouse may be accepted.

D. 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"> Copy of the balance sheets for the last 2 financial years (to be submitted every year). 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). Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations. Photograph, POI, POA, P AN of individual promoters holding control - either directly or indirectly. Copies of the Memorandum and Articles of Association and certificate of incorporation. Copy of the Board Resolution for investment in securities market.
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	<ul style="list-style-type: none"> • Authorised signatories list with specimen signatures.
Partnership firm	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate of registration (for registered partnership firms only). • Copy of partnership deed. • Authorised signatories list with specimen signatures. • Photograph, POI, POA, PAN of Partners.
Trust	<ul style="list-style-type: none"> • Copy of the balance sheets for the last 2 financial years (to be submitted every year). • Certificate of registration (for registered trust only). • Copy of Trust deed. • List of trustees certified by managing trustees/CA. • Photograph, POI, POA, PAN of Trustees.
HUF	<ul style="list-style-type: none"> • PAN of HUF. • Deed of declaration of HUF/ List of coparceners. • Bank pass-book/bank statement in the name of HUF. • Photograph, POI, POA, PAN of Karta.
Unincorporated association or a body of individuals	<ul style="list-style-type: none"> • Proof of Existence/Constitution document. • Resolution of the managing body & Power of Attorney granted to transact business on its behalf. • Authorized signatories list with specimen signatures.
Banks/Institutional Investors	<ul style="list-style-type: none"> • Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years. • Authorized signatories list with specimen signatures.
Army/ Government Bodies	<ul style="list-style-type: none"> • Self-certification on letterhead. • Authorized signatories list with specimen signatures.
Registered Society	<ul style="list-style-type: none"> • Copy of Registration Certificate under Societies Registration Act. • List of Managing Committee members. • Committee resolution for persons authorised to act as authorised signatories with specimen signatures. • True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.

G Additional documents to be taken in case clients want to open accounts in F&O / Currency segments –

Obtaining financial information from client trading in derivatives segment:

1. CSPL shall review and update periodically client information in the Client Registration Form and are also advised to ensure that client registration details including financial details of the clients are obtained and updated at regular intervals.
2. The member shall collect documentary evidence of financial details provided by the

clients who opt to deal in the derivative segment at the time of registration and at the time of annual updation.

An illustrative list of documents (towards documentary evidence of financial details) is as below:

- a. Copy of ITR Acknowledgement
- b. Copy of Annual Accounts
- c. Copy of Form 16 in case of salary income
- d. Net worth certificate
- e. Salary Slip
- f. Bank account statement for last 6 months
- g. Copy of demat account Holding statement.

- h. Any other relevant documents substantiating ownership of assets.
- i. Self declaration along with relevant supporting.