

POLICY & PROCEDURES THE PREVENTION OF MONEY LAUNDERING ACT, 2002

INTRODUCTION

The Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005.

The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to FIU-IND.

The Government of India set up Financial Intelligence Unit – India (FIU-IND) 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 transactions. FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

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

Some of these suggested measures may not be applicable in every circumstance to each department. Each department should consider carefully the specific nature of its business, type of customer and transaction etc. to satisfy itself that the measures taken by them are adequate and appropriate to follow the spirit of these suggested measures.

The original policy was drafted by the Principal Officer & the review is done by Mr. Pruthesh Shah, the Director of the company.

CUSTOMER ACCEPTANCE POLICY & CLIENT DUE DILIGENCE MEASURES

❖ **ACCEPTANCE OF CLIENT**

• **No Walk-in clients should be registered as client or allowed to trade.** Only those new clients would be accepted and allowed to trade with us, who would be referred to us by any of the following:

- 1) Directors;
- 2) Relatives or Family Members of the Directors;
- 3) ~~Sub-Brokers~~ & Authorised persons;
- 4) Existing Clients.

• On expression of wish for becoming a client by any person, a copy of Client Registration Form (KYC) along with other documents and forms will be forwarded to the client. The copy of the KYC will also be accompanied with the list of documents and additional documents or proofs required.

• Client Registration Form after being signed and filled by the Client will be received at our Client Registration department.

- At the client registration department, the documents are checked and only after they are found proper they will be counter signed by us. The client code generated will be communicated to the client after completion of entire procedure.
- A prospective client will be allowed to trade only on satisfactory submission of required documentary proof and proper signing of documents.
- Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
- 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

❖ **CLIENT IDENTIFICATION**

The following procedure should be adopted for identification of Client:

- As far as possible, no clients will be registered without personal contact.
- In addition to personal contact, for client identification, proper address and identity proof as prescribed by SEBI as per Uniform Documentary Requirement will be obtained from the client.
- PAN number and a Copy of PAN card will be compulsorily obtained from the client. No trading will be allowed unless the proof of PAN proof is submitted by the client.
- All the documents collected will be verified with original by the Client Registration Department.
- Review the above details on an on going basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile.
- We do not rely on third parties for carrying out CDD.
- At the time of registering a client care is taken to check the database available on the UN website of the List of designated individuals/entities. Further we also run a check every quarter for all our clients.

• **MAINTENANCE OF RECORDS**

♦ **Record Keeping**

- ✧ We ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made thereunder, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye laws and Circulars.
- ✧ We maintain such records as are sufficient to permit reconstruction of individual transactions
- ✧ To enable this reconstruction, we retain the following information for the accounts of our customers in order to maintain a satisfactory audit trail:
 - ✧ the beneficial owner of the account;
 - ✧ the volume of the funds flowing through the account;
 - ✧ the form in which the funds were offered or withdrawn, e.g. cash, cheques, etc.;
 - ✧ the identity of the person undertaking the transaction;
 - ✧ the destination of the funds;
 - ✧ the form of instruction and authority.
- ✧ All client and transaction records and information are made available on a timely basis to the competent investigating authorities.
- ✧ We have put in place a system of maintaining proper record of transactions prescribed by PMLA.

♦ **Information to be maintained**

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

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

♦ **Retention of Records**

^ An internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when required by the competent authorities has been evolved.

^ It is our policy to maintain all necessary records on transactions, both domestic and international, at least for a period of 5 years from the date of cessation of the transactions as per the amended circular issued by SEBI on March 12, 2014.

^ Records on of documents evidencing the identity of clients and beneficial owners (e.g. copies or records of official Identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence are also kept for the period of five years after the business relationship between a client and Company has ended or the account has been closed, whichever is later. The amendment is carried out as per the amended circular issued by SEBI on March 12, 2014.

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

^ We maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, for a period of five years from the date of the transaction between the client and the Company as per the amended circular issued by SEBI on March 12, 2014.

♦ **Employees' Hiring / Employee's Training / Investor Education**

We have adequate screening procedures in place to ensure high standards when hiring employees. We will also provide proper training to all associates on anti money laundering and anti terrorist financing; we will conduct refresher courses on the above subjects whenever necessary. We will sensitize our clients about the requirements of AML/CFT circulars and the need to demand certain information which is personal in nature (Bank Records, Source of Funds, IT returns etc). Also an updated copy of the PMLA policy is available on our website and all our associates are informed of the same.

CASH TRANSACTIONS

We do not accept cash from the clients whether against obligations or as margin for purchase of securities or otherwise. All payments shall be received from the clients strictly by account payee crossed cheques drawn in favour of **JAMNADAS VIRJI SHARES & STOCK BROKERS PVT LTD.** Similarly all payouts are made to clients by A/c payee cheques drawn only in the name of the registered client. The same is also required as per SEBI circular no. SMD/SED/CIR/93/23321 dated November 18, 1993 and SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003.

SUSPICIOUS TRANSACTIONS

♦ **WHAT IS A SUSPICIOUS TRANSACTION**

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

- ^ gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or

- ✦ appears to be made in circumstances of unusual or unjustified complexity; or
- ✦ appears to have no economic rationale or bonafide purpose.
- ✦ gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;
- ✦ Asset management services for clients where the source of the funds is not clear or not in keeping with Clients apparent standing / business activity.
- ✦ Clients transferring large sums of money to or from overseas locations with instructions for payment in cash.
- ✦ Unusual transaction by clients of Special Categories (CSCs).
- ✦ All associates are made aware of the requirement of reporting such above transactions and the same (if any) are reported to FIU.

Clients of Special Categories

- ✦ NRI / HNI / Trust / Charities / NGO / Organizations receiving donations
- ✦ Companies having close family shareholdings or beneficial ownership
- ✦ Politically Exposed Persons
- ✦ Companies offering foreign exchange offerings
- ✦ Clients in high risk countries
- ✦ Non face to face clients
- ✦ Clients with dubious reputation as per public information available

Risk Based Approach

- ✦ The clients will be defined as high, medium or lower risk category, depending upon client's location, relationship and transaction and payment history.

TYPE OF RISK	CRITERIA
LOW	(i) INTRODUCED BY – DIRECTORS & THEIR RELATIVES, SUB-BROKERS & AUTHORISED PERSONS & EXSISTING CLIENTS. (ii) MANNER OF MAKING PAYMENT – FUNDS TRANSFERS & A/C PAYEE CHEQUES ONLY. (iii) LOCATION WISE – COUNTRIES WHICH HAVE STRINGENT PMLA POLICIES
MEDIUM	(i) INTRODUCED BY – OTHER THAN PERSONS MENTIONED IN POINT NO (iv) OF LOW RISK. (ii) MANNER OF MAKING PAYMENT – BANKER'S CHEQUES / DEMAND DRAFTS. (iii) LOCATION WISE – COUNTRIES WHICH HAVE DO NOT HAVE

	STRINGENT PMLA POLICIES
HIGH	(i) INTRODUCED BY – WALK IN CLIENTS (ii) MANNER OF MAKING PAYMENT – BANKER’S CHEQUES / DEMAND DRAFTS. (iii) LOCATION WISE – HIGH RISK COUNTRIES

Broad categories of reason for suspicion and examples of suspicious transactions are indicated as under:

◆ **IDENTITY OF CLIENT**

False identification documents

Identification documents which could not be verified within reasonable time.

Non-face to face client

Doubt over the real beneficiary of the account

Accounts opened with names very close to other established business entities

◆ **SUSPICIOUS BACKGROUND**

Suspicious background or links with known criminals

◆ **MULTIPLE ACCOUNTS**

Large number of accounts having a common account holder introducer or authorized signatory with no rationale

Unexplained transfers between multiple accounts with no rationale

◆ **ACTIVITY IN ACCOUNTS**

Unusual activity compared to past transactions

Use of different accounts by client alternatively

Sudden activity in dormant accounts

Activity inconsistent with what would be expected from declared business

Account used for circular trading

◆ **NATURE OF TRANSACTIONS**

Unusual or unjustified complexity

No economic rationale or bonafide purpose

Appears to be case of insider trading

Investment proceeds transferred to a third party

Transactions reflect likely market manipulations

Suspicious off market transactions

◆ **VALUE OF TRANSACTIONS**

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

◆ **PERIODICITY FOR UPDATION OF DOCUMENTS**

We have a system of periodically updating the documents collected at the time of account opening under CDD process. Documents are called for from the High risk clients on a yearly basis, from the Medium risk clients on two yearly basis & from the Low risk clients every three years.

DEPOSITORY OPERATIONS

CDSL –The CDAS system generates a daily report with respect to High Value transactions (including nil report) the same should be scrutinized by the Compliance officer for DP operations or a senior designated official on a daily basis

Compliance officer for DP Operations or a Senior designated official to verify transactions whose value exceeds Rs. 5 lakhs and countersign delivery instruction slips.

All slips originating from dormant accounts to be countersigned by Compliance officer for DP Operations or a senior designated official.

If any of the transaction is identified as suspicious, the Compliance Officer - DP Operations should intimate the same to the Principal Officer.

ROLE OF COMPLIANCE /INSPECTIONS

◆ **MONITORING OF TRANSACTIONS**

✧ Scrutinise unusually large transactions like, clients having traded in a scrip for a value of Rs. 50 lakhs or more in a single day. Such client(s) KYC forms should be checked particularly to find out whether there is any unusual pattern in trading etc.

✧ Scrutinise bulk deal transactions by sample check. A bulk deal constitutes transaction in a scrip (on each Exchange) where total quantity of shares bought/sold is more than 0.5% of the number of equity shares of the company listed on the Exchange".

◆ **WHAT TO REPORT**

- ✧ the nature of the transactions.
- ✧ the amount of the transaction.
- ✧ The date on which the transaction was conducted; and
- ✧ The parties to the transaction

◆ **PROCEDURE FOR FREEZING**

Under the Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA) 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. In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individual/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-TND and on receipt of this information after verification, we shall act immediately on the same.

◆ **PROCEDURE FOR UNFREEZING**

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

TO BE REPORTED TO DESIGNATED PRINCIPAL OFFICER

Name of PRINCIPAL OFFICER: BHAVYESH P SHAH

Address: 811/812, P J Tower, Dalal Street, Fort, Mumbai – 400 001.

Appointment of Designated Director

Divyesh P Shah, Whole time Director, has been appointed as the **Designated Director for compliance of PML Act & Rules framed thereunder in terms of SEBI circular dated 12th March, 2014.**

Appointment of Principal Officer

BHAVYESH P SHAH has been appointed as the Principal Officer to report suspicious transactions to the relevant authorities.

- ⤴ The Principal Officer's responsibilities are given hereunder:
- ⤴ Communicating the Policy and Procedures on Prevention of Money Laundering to all our employees, ~~sub-brokers~~ and associates.
- ⤴ Receiving reports from our employees, ~~sub-brokers~~ and associates for any suspicious dealings noticed by them.
- ⤴ Clarifying any queries from them on this matter

- ⤴ Ensuring that the employees dealing with the clients / prospective clients are aware of the KYC guidelines of the Company and are advised to follow the same strictly
- ⤴ Conducting a sample test of client dealings, by himself or through an internal audit process, to satisfy himself that no suspicious activities exist
- ⤴ Reporting any suspicious transactions to appropriate authorities

WHEN TO REPORT

In terms of the PMLA rules, intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND), 6th Floor, Hotel Samarat, Chanakyapuri, New Delhi-110021 within 7 working days of establishment of suspicion at the level of Principal Officer. In view of the same, branches / departments are requested to report the said transactions within 3 working days of establishment of suspicion to enable the Principal Officer to report the same to the Director, Financial Intelligence Unit-India (FIU-IND) within the stipulated time.

OTHER IMPORTANT POINTS

- ◆ Utmost confidentiality should be maintained in submitting the information.
- ◆ The reports may be transmitted by email / speed / registered post / fax at the Head Office addressed to the Principal Officer.
- ◆ It should be ensured that there is no tipping off to the client at any level.

FORMULATOR / TRAIN ON THIS INTERNAL POLICY AND PROCEDURE TO ALL STAFF / AUTHORISED PERSONS / ~~SUB-BROKERS~~

- ⤴ This policy and procedure on The Prevention of Money Laundering Act, 2002 should be brought to the notice of all employees.
- ⤴ All Authorised persons, ~~sub-brokers~~ should be updated on the applicable provisions of The Prevention of Money Laundering Act, 2002 and the reporting mechanism by way of a note:
- ⤴ Review this policy and procedures once in a year to ensure their effectiveness

REPORTING OF SUSPICIOUS TRANSACTIONS TO FIU-IND

- ⤴ The compliance department to compile all suspicious transactions
- ⤴ The compliance department to report all such transactions to FIU-IND

In case any further information/clarification is required in this regard, the 'Principal Officer' may be contacted.

The policy is drafted by: BHAVYESH SHAH.

The policy is reviewed by: DIVYESH SHAH. Date: 20/01/2024.

Policy was last reviewed in JANUARY 2023.

"5 (five) years or any extended time that the law may in force require"