

## **POLICY ON KYC STANDARDS & ANTI-MONEY LAUNDERING MEASURES**

### **INDEX**

1. Background
2. What is Money Laundering?
3. Financial Intelligence Unit (FIU-IND)
4. Anti Money Laundering Program
5. Appointment of Principal Officer
6. Client Due Diligence
  - 6.1 Client Acceptance Policy
  - 6.2 Client Identification Process
  - 6.3 Categorization of Clients
7. Recruitment & Training of Employees
8. Investor Education
9. Record Keeping & Retention of Records
10. Monitoring of Transactions
11. Identifying Suspicious Transactions
12. Reporting of Suspicious Transactions
13. Review of Policy

### **1. BACKGROUND:**

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July 2005 and it provides for Anti-money Laundering and Anti-terrorist Financing measures to be taken in India and the rules framed there under provides guidance on the practical implementation of the provisions laid down in the Act. The Director appointed by Financial Intelligence Unit-INDIA (FIU-IND) has been conferred with exclusive and concurrent powers under relevant sections of the Act to implement its provisions. The Act imposes an obligation on banking companies, financial institutions and intermediaries associated with the securities market and registered with the Securities and Exchange Board of India (SEBI) under section 12 of SEBI Act, 1992. The stock brokers fall under the category of intermediaries under section 12 of SEBI Act, 1992, and hence the provisions of PMLA are also applicable to all the stock brokers. Establishment of Anti-money Laundering programs by Market Intermediaries are one of the central recommendations of the Financial Action Task Force (FATF). SEBI has issued necessary directives from time to time vide its circulars covering issues related to Know Your client (KYC) norms, Anti Money Laundering (AML), Client Due Diligence (CDD) and Combating Financing of Terrorism (CFT). This policy document is based on the SEBI's master circular on PMLA bearing reference no. ISD/AML/CIR-1/2010 dated February 12, 2010 and subsequent circular bearing reference no. CIR/ISD/AML/2/2010 dated June 14, 2010, which consolidates requirements/obligations to be fulfilled by all the registered intermediaries. This policy will be subject to changes in order to incorporate further directives that SEBI may give vide its circulars on PMLA, from time to time.

### **2. WHAT IS MONEY LAUNDERING?**

Money Laundering is the processing of criminal proceeds to disguise their illegal origin. It is a process by which persons with criminal intent or persons involved in criminal activities attempt to hide & disguise the true origin and ownership of the proceeds of their criminal activities, thereby avoiding prosecution, conviction and confiscation of illegal funds. There are three common stages of Money Laundering, namely placement, Layering & Integration, which are resorted to by the launderers. The laundered proceeds re-enter the financial system appearing to be normal business funds and Market Intermediaries may unwittingly get exposed to a potential criminal activity while undertaking such normal business transactions. Market Intermediaries are therefore placed with a statutory duty to make a disclosure to the Authorized Officer when knowing or suspecting that any property, in whole or in part, directly or indirectly, representing the proceeds of a predicated offence, or was or is intended to be used in that connection is

## ANURITI MULTY BROKING PRIVATE LIMITED

passing through the Market Intermediaries. Law protects such disclosures, enabling the person with information to be able to disclose the same without any breach of confidentiality.

Market Intermediaries likewise need not abstain themselves from providing such information pertaining to its customers.

### **3. FINANCIAL INTELLIGENCE UNIT (FIU)-INDIA**

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

FIU-IND has been established as the central national Agency responsible for receiving, processing, analyzing and disseminating information related to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

### **4. ANTI MONEY LAUNDERING PROGRAM (AML)**

The objective of having an AML Program is to have in place adequate policy, practice and procedure that help to prevent money-laundering activities. Such procedures would include the following:

- I. Appointment of Principal Officer.
- II. Client Due Diligence is the main part of the policy and includes following:
  - a. Client Acceptance Policy
  - b. Client Identification Procedure
  - c. Categorization of Clients
  - d. Transaction monitoring to identify & report Suspicious Transactions (STR)
  - e. Record keeping & retention of records
  - f. Co-operating with law enforcement agencies in their efforts to trace the money laundering transactions and persons involved in such activities
  - g. On-going training to the employees to ensure strict adherence to Customer Due diligence requirements
  - h. Imparting investor education
  - i. Reports to Financial Intelligence Unit-India (FIU-IND)

These procedures and standards would assist in knowing and understanding the trading activities of its existing and prospective clients and to prevent **Anuriti Multy Broking Private Limited** from being used as a medium, intentionally or unintentionally for carrying out money laundering activities. The chapters ahead detail the AML program adopted by the company.

### **5. APPOINTMENT OF PRINCIPAL OFFICER**

ANURITI MULTY BROKING PRIVATE LIMITED will identify an official from amongst the staff members to act as Principal Officer under the provisions of PMLA. The Managing Director shall be the competent authority for identifying the Principal and Alternate Officers. The details of appointment of the Principal Officer will be intimated to FIU-IND immediately.

### **RESPONSIBILITIES OF PRINCIPAL OFFICER:**

The Principal Officer will ensure that:

1. The PMLA Guidelines and the Board approved PMLA policy is implemented effectively by the company.
2. The identification and assessment of potentially suspicious transactions are done on the regular basis.
3. ANURITI MULTY BROKING PRIVATE LIMITED reports the suspicious transactions to the concerned authorities within the specific time as per the PMLA policy.
4. ANURITI MULTY BROKING PRIVATE LIMITED is regularly updated regarding any changes/ additions/ modifications in PMLA provisions.

## ANURITI MULTY BROKING PRIVATE LIMITED

5. ANURITI MULTY BROKING PRIVATE LIMITED responds promptly to any request for information, including KYC related information, made by the regulators, FIU- IND and other statutory authorities.
6. Any other responsibilities assigned by Managing Director or any other official authorized by Managing Director with respect to the implementation of PMLA guidelines issued by SEBI from time to time.

### **6. Appointment of Designated Director :**

As per SEBI circular No. CIRJMIRSD/112014 dated March 12, 2014, in addition to appointment of Principal officer, we have appointed Ms. Manju Maheshwari, as a designated director of ANURITI MULTY BROKING PRIVATE LIMITED and the same has informed to FIU-IND.

### **7. CLIENT DUE DILIGENCE:**

#### **7.1 CLIENT ACCEPTANCE PROCEDURE:**

Considering the potential threat of usage of the financial services by a money launderer, it is essential to make reasonable efforts to determine the true identity of clients. ANURITI MULTY BROKING PRIVATE LIMITED has to put in place effective procedures to obtain requisite details for proper identification of new customers.

1. ALL KYC Documentations and Procedures shall be followed at the time of account opening and no account shall be opened where ANURITI MULTY BROKING PRIVATE LIMITED is unable to apply appropriate CDD measures/KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non genuine or there is perceived non cooperation of the client in providing full and complete information.
2. The submission of all documents required under this policy shall be pre-requisite for account opening for all clients. Incomplete application including incomplete documentation will be rejected. ANURITI MULTY BROKING PRIVATE LIMITED will follow the industry standard for implementing client identification procedure.
3. The authorized official /employees of ANURITI MULTY BROKING PRIVATE LIMITED shall personally verify the photograph of the client affixed on the Account Opening Form [AOF] and the proof of identity documents with the person concerned. A stamp of "Identity Verified in Person" must be affixed (as a proof of In Person Verification) on the AOF against the photograph of the client & on the proof of identity documents. The authorized official of the ANURITI MULTY BROKING PRIVATE LIMITED who has done in-person verification and verified the documents with original should also sign on the AOF & ID proof.
4. Each original document shall be seen prior to acceptance of a copy. Stamp of "documents verified with originals" must be affixed along with the signature of the authorized person.
5. In case of any discrepancy or non-provision of information by the client, ANURITI MULTY BROKING PRIVATE LIMITED shall seek necessary clarification from the applicant and activate the account only when the discrepancy is resolved or the deficiency is fulfilled. For e.g. Cases where names mentioned on the AOF and that on the PAN Card do not match etc.
6. Verify the customer's identity using reliable, independent source documents, data or information by following procedure:
  - a. The PAN Card details should be verified with the name(s) appearing on the website of the  
Income Tax Department,

## ANURITI MULTY BROKING PRIVATE LIMITED

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<http://incometaxindiaefiling.gov.in/challan/enterpanforchallan.jsp?pAction=Post>. In case the name(s) do not match or the PAN Card details are not present in the PAN Card database, ANURITI MULTY BROKING PRIVATE LIMITED should seek necessary clarification from the applicant(s) and activate the account only when the discrepancy is resolved.

- b. ANURITI MULTY BROKING PRIVATE LIMITED shall maintain list of the person who have been debarred by SEBI and shall update the list on the regular basis and ensure that no client's application is accepted if the name of such client falls in the list of debarred person maintained by ANURITI MULTY BROKING PRIVATE LIMITED.
  - c. Precaution shall be taken as far as possible 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 provided appropriate information is available to identify a person based on PAN number/address/any other appropriate information is available to ANURITI MULTY BROKING PRIVATE LIMITED from websites generally known for such purpose/information provided by SEBI/BSE/NSE.
  - d. As per guidance provided by SEBI/BSE/NSE, ANURITI MULTY BROKING PRIVATE LIMITED shall put in place necessary procedures to determine whether their existing/potential client is a politically exposed person (PEP) of foreign origin. Such procedures would include seeking additional information from clients, accessing publicly available information etc. as per guidance provided by SEBI/BSE/NSE.
7. As per guidance provided by SEBI/BSE/NSE, ANURITI MULTY BROKING PRIVATE LIMITED shall obtain sufficient information from the clients in order to identify person who beneficially owns and controls accounts.
  8. ANURITI MULTY BROKING PRIVATE LIMITED may request to every new client to open his trading account along with his DP Account with ANURITI MULTY BROKING PRIVATE LIMITED -DP.
  9. Precaution to be taken that no account is opened in a fictitious / benami name or on an anonymous basis.
  10. ANURITI MULTY BROKING PRIVATE LIMITED shall categorize its clients into low, medium and high risk as per the Client categorization procedure adopted by ANURITI MULTY BROKING PRIVATE LIMITED from time to time. Clients shall be categorized at the time of account opening with ANURITI MULTY BROKING PRIVATE LIMITED based on recommendation made by the Branch Manager/ Relationship Manager/ Sub-broker/ Authorised Person who introduces the client, information provided by the Client in KYC, information available in public domain, etc. Clients of special category as stated in the SEBI circular will be closely monitored unless the client is found to be of low/ medium risk depending upon information about the client collected through KYC, etc.
  11. The applicant shall be required to disclose his / her financial status & occupation details as required by PMLA. In case of Non Individual clients like, corporate, Trust, Partnership firms, etc. last 2 years balance sheet may be obtained.
  12. ANURITI MULTY BROKING PRIVATE LIMITED may modify the Format of Account Opening Form (AOF) to obtain the necessary information of the client in order to achieve PMLA objective.
  13. ANURITI MULTY BROKING PRIVATE LIMITED shall take reasonable measures to verify the sources of funds as well as wealth of the clients and ensure that they are routed through proper banking channels. ANURITI MULTY BROKING PRIVATE LIMITED shall reasonable steps to ensure that funds are received from a client through his bank account registered with ANURITI MULTY BROKING PRIVATE LIMITED and payment to the client will be made through 'Account Payee' cheque and/ or direct credit to the client bank account registered with ANURITI MULTY BROKING PRIVATE LIMITED. ANURITI MULTY BROKING PRIVATE LIMITED is neither accepting cash from its clients nor

## ANURITI MULTY BROKING PRIVATE LIMITED

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giving cash to its clients. As per SEBI directive, ANURITI MULTY BROKING PRIVATE LIMITED will get banker's certificate whenever a client gives demand draft.

### **7.2 CLIENT IDENTIFICATION PROCESS:**

The following precautions will have to be taken by ANURITI MULTY BROKING PRIVATE LIMITED in order to ascertain that accounts are not misused by the clients or by any third parties for money laundering activities:

1. ANURITI MULTY BROKING PRIVATE LIMITED will obtain sufficient information about the client and identify actual beneficiary of transactions or on whose behalf transactions are conducted.
2. Verify client's identity.
3. ANURITI MULTY BROKING PRIVATE LIMITED will register clients as per SEBI/BSE/NSE guidelines and it will develop appropriate reporting system to monitor client's trades.
4. ANURITI MULTY BROKING PRIVATE LIMITED shall periodically update all documents, data or information of all clients and beneficial owners collected under CDD process provided the client provides the information.
5. ANURITI MULTY BROKING PRIVATE LIMITED shall ensure that maker-checker facility is in place for all its operation as a risk management measure as well as to increase efficiency. In case of mismatch of signature/s on PAN and the AOF, ANURITI MULTY BROKING PRIVATE LIMITED shall ask for an alternate proof of identity bearing client's signature as put on AOF or bank verification of the signature.
6. In case a new client is Politically Exposed Person (PEP) or a new client is a relative of PEP then such client activation must be done only after getting prior approval of Compliance Officer. Compliance Officer's approval will also be taken when an existing client become PEP at later stage.

### **7.3 CATEGORIZATION OF CLIENTS:**

ANURITI MULTY BROKING PRIVATE LIMITED shall accept the clients based on the risk they are likely to pose. For this purpose, ANURITI MULTY BROKING PRIVATE LIMITED shall categorize the clients under low risk, medium risk and high risk category based on appropriate Customer Due Diligence process.

#### **LOW RISK:**

Low risk clients are those who are likely pose low or nil risk as per the PMLA policy. Individuals and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as low risk. They can be following:

1. Salaried Individuals.
2. Corporate which are providing financial details of last two years and identity of the beneficial owner is disclosed.
3. Government employees and government owned companies.
4. HNI's who have respectable social and financial payments.
5. Businessman whose identity and source of wealth is easily identified and who is complying with maximum KYC disclosures.
6. Clients who does not fall in the above mentioned points and who provide maximum information as per KYC and exhibits transparency.
7. Clients which have been introduced by brokers/branch managers and they have known them personally and have faith in their genuineness.

#### **MEDIUM RISK:**

## ANURITI MULTY BROKING PRIVATE LIMITED

Customers that are likely to pose medium risk to ANURITI MULTY BROKING PRIVATE LIMITED may be categorized as medium risk such as:

1. Persons in business/industry or trading activity where the area of his residence or place of business has a scope or history of unlawful trading/business activity.
2. Where the client profile of the person/s opening the account, according to the perception of the branch is uncertain and/or doubtful/dubious.
3. Clients delegating authority of operation of their trading & beneficial accounts to any of their immediate family members.

### **HIGH RISK**

1. Entities into foreign exchange business.
2. High Networth individuals whose identity and source of wealth is difficult to identify.
3. Trusts, charities, NGOs and organizations receiving donations,
4. Politically Exposed Persons (PEPs)
5. Those with dubious reputation as per public information available, etc.
6. Clients in high risk countries as announced by appropriate authority from time to time.

### **8. RECRUITMENT & TRAINING OF EMPLOYEEES**

ANURITI MULTY BROKING PRIVATE LIMITED shall ensure adequate screening procedures at the time of hiring its staff. It shall also ensure that the employees dealing with PMLA requirements are suitable and competent to perform their duties. ANURITI MULTY BROKING PRIVATE LIMITED will conduct PMLA awareness program for its existing employees to ensure that they are aware of their obligations under the provisions of PMLA. ANURITI MULTY BROKING PRIVATE LIMITED will ensure that the new staff recruited by them is also given initial PMLA awareness training.

The Principal Officer will also impart periodical refresher training to the staff to keep them updated on new developments and to communicate any changes in the policies, procedures etc.

### **9. RECORD KEEPING & RETENTION OF RECORDS**

PMLA stipulates that all relevant documents like AOF and their supporting documents and all instructions for operating the account given by Client or its duly registered Power of Attorney should be maintained at least for a minimum period of 10 years after the account is closed. In cases where the records relate to on-going investigations or transactions that have been a subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed. In view of this, ANURITI MULTY BROKING PRIVATE LIMITED shall maintain the records in terms of the provisions of PMLA. The retention period shall be modified on receiving appropriate instructions from any regulatory authority like SEBI, FIU-IND or any other statutory authority.

### **10. MONITORING OF TRANSACTIONS**

ANURITI MULTY BROKING PRIVATE LIMITED shall pay special attention to all complexes, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. The Compliance Department shall ensure adherence to the KYC policies and procedures. Internal Auditors shall specifically check and verify the application of KYC procedures and comment on the lapses if any observed in this regard. All staff members shall be provided training on Anti Money Laundering. The focus of training shall be different for frontline staff, compliance staff and staff dealing with new customers. The Compliance Department shall randomly examine a selection of transactions /clients and comment whether any suspicious transactions are done or not. While monitoring the transactions, ANURITI MULTY BROKING PRIVATE LIMITED may shift the clients from one category to another depending upon the risk perceived by ANURITI MULTY BROKING PRIVATE LIMITED.

### **11. Parameters for analyzing the transactions:**

11.1 Analysis of top clients in terms of turnover

## ANURITI MULY BROKING PRIVATE LIMITED

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On a periodic basis identify top 50 clients on descending order of turnover more than 50.00 lakhs in Capital Market Segment and 500.00 Lakhs in Derivatives Segment in a day and ascertain whether the same matches with the financial status of the client. Moreover, analyze whether there is commensurate fund movement, whether the payments are being made, in cheque and from the bank account(s) of the clients. To the extent possible, obtain the latest Bank Statement and Income Tax return of the client to ascertain the financial capacity of the client.

### 11.2 Analysis of top client in terms of increase in turnover

On a periodic basis identify the top 50 clients, on descending order of increase in turnover over a threshold amount of Rupees 50.00 lakhs in a day. Then analyze whether the same matches with the financial status of the client, whether there are commensurate funds movement, whether the payments are being made through cheque from the bank account(s) of the client, etc. To the extent possible, we need to obtain the latest Bank Statement and Income Tax return of the client to ascertain the level of income of the client.

### 11.3 Matched trades (where the buy and sell clients are with the same broker)

On a daily basis identify the matched trades (where the buy and sell orders are from same/different branches of ANURITI MULY BROKING PRIVATE LIMITED in B1, B2 & group and penny stocks). Further analyze whether the client are indulging in any sort of manipulation like shifting of profits from one account to another, creating artificial volumes, circular trading, indulging in price manipulation, shifting the beneficial ownership of shares, etc.

### 11.4 Analysis of trades in stocks less than Rs.10/- and beyond a specific quantity

On a daily basis analyze the trades done in penny stocks (stocks less than Rs.10/-). This will help us in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc.

### 11.5 Client concentration in particular scrip or select scrips

On a periodic basis, ascertain whether any client is concentrating on any particular scrip, especially liquid and penny stocks making a huge buying continuous in a particular scrip. This will help in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc. or is having insider information.

### 11.6 Analysis of trades in illiquid counter

A daily analysis of the client's volume with respect to the total traded volume at the exchange has to be done. (TTQ analysis). This will help in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc.

### 11.7 Analysis of Shares Inward Outward in Demat Account

On a period basis, analyze the Inward Outward of Shares in Demat Account in manner of value of Securities, number of securities.

### 11.8 Trades shifted from one client to another within the same broker

On a daily basis, analyze the details of trade shifted from one client to another, either during the market hours. This will help us in identifying whether the client is trying to hide his identity, indulging in profit/loss transfer, availing exposure while in debit balance, etc.

### 11.9 Employees/Sub broker account trades

Need to analyze the trades undertaken in the employees or sub broker's own trading account. It is possible that the employees/sub brokers might be accepting cash from the clients and execute the trades in their account. Similarly, it is possible that the profit on trades of the clients being shifted to the employees/sub broker's accounts.

## ANURITI MULTY BROKING PRIVATE LIMITED

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11.10 Frequent change in client details like bank account, demat account, address, etc

A monthly analysis of changes in the client details has to be undertaken to identify the clients who are making frequent changes whether the client trying to hide or confuse his identity.

### **12. IDENTIFYING OF SUSPICIOUS TRANSACTIONS**

ANURITI MULTY BROKING PRIVATE LIMITED shall maintain records of debits and credits of transactions through various services to the clients, as per their specific instructions. The Rules notified under the PMLA defines a "suspicious transaction" as a transaction whether or not made in cash which, to a person acting in good faiths (a) Give rise to reasonable ground of suspicion that it may involve proceeds of crime; (b) Appears to be made in circumstances of unusual or unjustified complexity; or (c) Appears to have no economic rationale or bonafide purpose. Indicative List of suspicious transactions for Broking Account is:

1. False Identification documents submitted by the client at time of account opening.
2. Doubt over the real beneficiary of the account.
3. Suspicious background or links with known criminals.
4. Unusual activity compared with past transactions.
5. Sudden activity in dormant accounts.
6. Unexplained transfer among multiple accounts without any rationale/reason.
7. Regular transfers from multiple accounts to a single common BO account.
8. Unusual high turnover of transactions in comparison with disclosed income

### **13. REPORTING OF SUSPICIOUS TRANSACTIONS:**

The concerned department's staff i.e. Client Relation/Settlement/Compliance shall monitor all transactions executed by clients and report to the Principal Officer any transaction that appears to be of suspicious nature. Also system generates file of suspicious transactions based on few set parameters and informs CR staff to download such data for further investigation. The Principal Officer shall analyze and examine such data and then decide if any transaction listed therein warrants a closer inspection or not. He shall maintain the records of all such data received from authority and record the action taken against any client for suspicious transactions. In case the Principal Officer comes across any transaction that appear to be of suspicious nature, he shall also submit the report of such transactions directly to The Director, FIU-IND in the prescribed format, within seven working days of establishment of suspicion. ANURITI MULTY BROKING PRIVATE LIMITED shall not put any restriction on operation in the accounts of any client where an STR has been made and the same has been reported to FIU-IND. ANURITI MULTY BROKING PRIVATE LIMITED shall also be prohibited from disclosing the same to the client for whom the STRs have been reported to FIU-IND. However, in exceptional circumstances consent may not be given to continue to operate the account, and transaction may be suspended.

### **14. REVIEW OF POLICY**

The aforesaid AML policy shall be reviewed periodically with regard to testing its adequacy to meet the compliance requirements of PMLA 2002. The Principal Officer shall be the authority to give directions to undertake additions, changes, modifications etc. as directed by SEBI/ FIU-IND.



