

Anti Money Laundering Policy

Back ground

The Prevention of Money Laundering Act, 2002 came into effect from 1st July 2005. SEBI vide circular dated 18th January 2006 required market intermediaries to lay down policy framework for Anti Money Laundering measures to be followed. SEBI has also issued Master Circular dated 19th December 2008 & circular CIR/MIRSD/1/2014 dt. 12.03.2014 & SEBI/HO /MIRSD/ MIRSDSECFATF/P/CIR/2024/78 dt. June 06, 2024. Subsequently amended in Prevention of Money Laundering (Maintenance of Records) Rules, 2005 as per the gazette notification dated June 1, 2017.

The PMLA 2002 and Rules notified thereunder impose an obligation on intermediaries to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU)-India.

What is Money Laundering?

Money Laundering defined as cleansing of dirty money obtained from legitimate or illegitimate activities including drug trafficking, terrorism, organized crime, fraud and many other crimes with the objective of hiding its source and rendering it in legally usable form. It is any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources. The process of money laundering involves creating a web of financial transactions so as to hide the origin of and true nature of these funds.

This is done three phases- placement Phase, Layering Phase & Integration Phase.

Objectives

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

The PMLA and rules notified there under impose obligation on banking companies, financial institution and intermediaries to verify identity of clients, maintain records and furnish information to FIU-INDIA. PMLA defines money laundering offence and provides for the freezing, seizure and confiscation of the proceeds of crime. Monitor / maintain record of all cash transactions of the value of more than Rs. 10 lacs or its equivalent in foreign currency, , all series of cash transactions integrally connected to each other which have been valued below Rs.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.

Policy of Ganesh Stockinvest Private Limited

Ganesh Stockinvest Private Limited has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002.

Implementation of this Policy

Mr. Saroj Kumar Mishra is the Principal Officer who is responsible for compliance of the provision of the PMLA and AML Guidelines act as a central reference point and play an active role in identification & assessment of potentially suspicious transactions. Ensure that Group discharges its legal obligations to report suspicious transaction to the concerned authorities.

Rights and Powers of Principal Officer

The principal officer ensures 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. The company is regularly updated regarding any changes/additions /modification in PMLA Provisions.
4. The company reports the suspicious transactions to the concerned authorities within the specific time as per the PMLA policy.
5. The company responds promptly to any request for information, including KYC related information, made by the regulators, FIR-IND and other statutory authorities. Any other responsibilities assigned. Designated director will implement the PMLA guidelines issued by SEBI time to time.

The main aspect of this policy is the customer due diligence process which means: -

1. Obtaining sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted;
2. Verify the customers identity using reliable independent source documents, data or information;
3. Conduct on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the clients' background / financial status, its activities and risk profile.

The customer due diligence process includes three specific parameters:-

- Elements of Client Due Diligence;
- Client Identification Procedure;
- Clients of special category (CSC)
- Policy for acceptance of clients;
- Risk Based Approach

- Suspicious Transaction identification and reporting.

(A) Element of Client Due Diligence (CDD)

The CDD measures comprise the following:-

1. 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.
2. Verify the client's identity using reliable, independent source documents, data or information;
3. 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;
4. 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);
5. Understand the ownership and control structure of the client;
6. 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
7. Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

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

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

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 15% of shares or capital or profits of the juridical person, where

- ii. the juridical person is a company;
more than 10% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. more than 10% 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, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

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

Applicability for foreign investors: Intermediaries dealing with foreign investors' may be guided by the clarifications issued vide SEBI Master Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022 and amendments thereto, if any, for the purpose of identification of beneficial ownership of the client.

The Stock Exchanges and Depositories shall monitor the compliance of the aforementioned provision on identification of beneficial ownership through half-yearly internal audits.

2. 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).
3. Understand the ownership and control structure of the client.
4. 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 Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD

process.

5. Registered intermediaries shall review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be, when there are suspicions of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy or veracity of previously obtained client identification data.
6. Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process such that the information or data collected under client due diligence is kept up-to-date and relevant, particularly for high risk clients.
7. Every registered intermediary shall register the details of a client, in case of client being a non-profit organisation, on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after the business relationship between a client and the registered intermediary has ended or the account has been closed, whichever is later.
8. Where registered intermediary is suspicious that transactions relate to money laundering or terrorist financing, and reasonably believes that performing the CDD process will tip-off the client, the registered intermediary shall not pursue the CDD process, and shall instead file a STR with FIU-IND.

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

1. We should rely on a third party for the purpose of (a) identification and verification of the identity of a client and (b) determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.
2. Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars / guidelines issued by SEBI from time to time.

In terms of Rule 9(2) of PML Rules:

- i. The registered intermediary shall immediately obtain necessary information of such client due diligence carried out by the third party;
- ii. The registered intermediary shall take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;
- iii. The registered intermediary shall be satisfied that such third party is

regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;

- iv. The third party is not based in a country or jurisdiction assessed as high risk;

The registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

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(B) Client Identification Procedure

To have a mechanism in place to establish identity of the client along firm proof of address to prevent opening of any account which is fictitious / benami / anonymous in nature.

There are following documents/activities upon which we can rely:-

1. PAN Card: PAN Card is mandatory and is most reliable. We can independently check its genuineness through Income Tax website.
2. Identity Proof: PAN Card, itself can serve as proof of identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we should take other identity proof in form of Voter's identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card.
3. Address Proof: For valid address proof we can rely on voter's identity card, Passport, Bank Statement, ration card and latest Electricity/telephone bill in the name of the client.
4. In person Verification:- In person Verification of the client to be done as per Rule, Guidelines etc.
5. Monitoring of Trading activities:-RMS department should monitor the trading activity of the client and exercise due diligence to ensure that the trading activities of the client is not disproportionate to the financial status and the track record of the client.
6. Acceptance of Payment:-It should be insured that payment received from the client is being received in time and through the bank account the details of which are given by the client in KYC application form and the payment through cash/bearer demand draft should not be entertained.
Documents to be obtained as part of customer identification procedure for new clients:
 - a) In case of individual, one copy of the following documents has to be obtained: PAN Card, it is mandatory, it can be verified its genuineness with Income Tax website and cross verify the PAN card copy with the original. "verified with original" stamp should be taken as proof of verification. Other proofs for identity are voter's identity card, Passport, Ration Card or any

Government/PSU/bank issued photo identity card or any other documents prescribed by the regulatory authorities.

Address proof in the form of voter's identity card, Passport, Bank Statement, Ration Card and latest Electricity/telephone bill in the name of the client or any other document prescribed by the regulatory authorities.

- b) In case of corporate, one certified copy of the following documents must be obtained:-

Copy of the Registration/Incorporation Certificate;

Copy of the Memorandum & Articles of the Association;

Copy of the latest audited Annual Statement of the corporate client;

Latest Income Tax return filed with Income Tax deptt.;

Latest Net worth Certification;

Copy of the PAN card and the Director index No.(DIN);

Board Resolution for appointment of the Authorized Person who will operate the account;

Proof of address and any identity of Authorized Person

- c) In case of partnership firm one certified copy of the following must be obtained:-

Partnership Deed;

Registration certificate;

Authorization letter for the person authorized to open and operate the account

Annual statement/returns of the partnership firm

PAN card of partners;

Proof of identity and address of the authorized person.

- d) In case of a Trust, one certified copy of the following must be obtained:-

Trust Deed;

Registration certificate;

Officially valid documents like PAN card, voters ID, Passport etc. of person(s) authorized to transact on behalf of the trust;

PAN card; Authorization letter for the entity authorized to act on their behalf.

- e) In case of unincorporated association or a body of individuals, one certified copy of the following must be obtained:

Officially valid documents like PAN Card, Voters ID, passport, etc of the person(s) authorized to transact;

POA in favour person authorized to transact;

Resolution of the managing body of such association or body of individuals;

Any document required to establish the legal existence of such an association or body of individual.

- f) In case of an NRI account-Repatriable/non-repatriable, the following documents are required: -

Copy of the passport;

Copy of the PIS permission issued by the bank;

Copy of the bank statement copy of the demat statement;

Copy of PAN card;

Proof of overseas address and Indian address;

If the account is handled through a mandate holder, copy of the valid POA/mandate.

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

aa) The identity of the natural persons, 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 15% of shares or capital or profits of the juridical person, where the juridical person is a Company;
- ii. More than 10% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. More than 10% 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 case 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 exercises 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 right, 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.

- i. For client which is a trust: Where the client is a trust, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settlor 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. The KYC policy shall clearly spell 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 the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.

Intermediaries shall be in compliance with the following requirements while putting in place a Client Identification Procedure **(CIP)**:

- a. All registered intermediaries shall proactively put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPS. Further, the enhanced CDD measures as outlined in clause 2.2.5 shall also be applicable where the beneficial owner of a client is a PEP.
- b. All registered intermediaries are required to 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 intermediaries shall obtain senior management approval to continue the business relationship.
- c. Registered intermediaries 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 the intermediary by using reliable sources including documents / information. The intermediary shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- e. The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary 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 within the intermediary
- g. SEBI has prescribed the minimum requirements relating to KYC for certain classes of registered intermediaries from time to time as detailed in Schedule II. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, all registered intermediaries shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices. Further, the intermediary shall conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that the intermediary is aware of the clients on whose behalf it is dealing.
- h. Every intermediary shall formulate and implement a CIP which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients of the banking companies,

financial institutions and intermediaries of securities market and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients.

- i. It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to registered intermediaries (brokers, depository participants, AMCs etc.) from obtaining the minimum information/documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by registered intermediaries. This shall be strictly implemented by all intermediaries and non-compliance shall attract appropriate sanctions.

Red Flag Indicators

RFIs mandated by FIU are part of our internal processing. While screening, we monitor the relevant factors as below:-

- High level transactions in cash or readily transferable assets, among which illegitimate funds
- Unusual financial transactions with unknown source.
- Clients with multijurisdictional operations that do not have adequate centralized corporate oversight.
- Misuse of pooled client accounts or safe custody of client money or assets.
- Advice on the setting up of legal arrangements, which may be used to obscure ownership or real economic purpose (including setting up of trusts, companies or change of name/corporate seat or other complex group structures).
- Legal structure of client has been altered numerous times (name changes, transfer of ownership, change of corporate seat).
- Management appears to be acting according to instructions of unknown or inappropriate person(s).
- Unnecessarily complex client structure.
- The client is reluctant to provide all the relevant information or the accountant has reasonable doubt that the provided information is correct or sufficient.
- Individual or classes of transactions that take place outside the established business profile, and expected activities/ transaction unclear.
- Employee numbers or structure out of keeping with size or nature of the business (for instance the turnover of a company is unreasonably high considering the number of employees and assets used).
- Client starts or develops an enterprise with unexpected profile or early results.
- Indicators that client does not wish to obtain necessary governmental approvals/filings, etc.
- Payments received from un-associated or unknown third parties and payments for fees in cash where this would not be a typical method of payment.

Further, as per amendments to the Prevention of Money laundering (Maintenance of Records) Rules, 2005, it is stated as below:-

“Provided that in case of officially valid document furnished by the client does not contain updated address, the following documents shall be deemed to be officially valid documents for the limited purpose for proof of address:-

- utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- property or Municipal tax receipt;
- pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation; Provided further that the client shall submit updated officially valid document with current address within a period of three months of submitting the above documents.”

(C) Client for Special Category (CSC)

Clients of special category (CSC) include the following-

- i. Non- resident clients’
- ii. High net-worth clients,
- iii. Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- iv. Companies having close family shareholdings or beneficial ownership
- v. 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 5.5 of this circular shall also be applied to the accounts of the family members or close relatives of PEPs.
- vi. Companies offering foreign exchange offerings
- vii. Clients in high risk countries where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, intermediaries apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatf-gafi.org), shall also independently access and consider other publicly available information.
- viii. Non face to face clients
- ix. Clients with dubious reputation as per public information available etc. The above mentioned list is only illustrative and the intermediary shall exercise independent judgment to ascertain whether any other set of

clients shall be classified as CSC or not.

(D) Policy for acceptance of clients

The following safeguards are to be followed while accepting the clients:-

No account is opened in a fictitious / benami name or on an anonymous basis. To ensure this we must insist the client to fill up all the necessary details in the KYC form in our presence and obtain all the necessary documentary evidence in support of the information filled in KYC. We identify the client whether he is debarred entity or not?

We must verify all the documents submitted in support of information filled in the KYC form with the originals and in-person verification should be done by our own staff. Moreover new client should either be introduced by an existing customer or by the senior official of the company.

In case we have any doubt that in-complete / fictitious information is submitted by the client, we must ask for such additional information so as to satisfy ourselves about the genuineness of the clients.

We should not continue to do business with such a person and file a suspicious activity report. We should also evaluate whether there is suspicious trading in the account and whether there is a need to freeze or close the account.

We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed shareholding /ownership, companies dealing in foreign currency, overseas in high risk countries, non face to face clients, clients with dubious background. Current/Former senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries or clients belonging to countries where corruption/fraud level is high. Scrutinize minutely the records/documents pertaining to clients belonging to aforesaid category.

Do not compromise on submission of mandatory information / documents. Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. Do not open the accounts where the client refuses to provide information / documents and we should have sufficient to reject the client towards this reluctance.

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.

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.

Ensure that an account is not opened where the intermediary 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-cooperation of the client in providing full and complete information. The market intermediary shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. The market intermediary shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.

The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent-client registered with the intermediary, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.

Necessary checks and balance to be put into 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.

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

(E) Risk based Approach

It is recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, the registered intermediaries shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the registered intermediaries shall adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that registered

intermediaries shall obtain necessarily depend on the risk category of a particular client. Further, 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.

Risk Assessment

We 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 http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.html>).

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 shall be documented, updated regularly and made available to competent authorities and self-regulating bodies, as and when required.

Factors of risk perception of the client

Factors of Risk Perception having regard to Client`s Location (Registered / Correspondence/ other address)

Particulars – Risk Perception

- Face to Face clients of Delhi NCR – Low Risk
- Face to Face clients of other than Delhi NCR – Low Risk
- Client Introduced by existing Face to Face – Clients Low Risk
- Client Introduced by other Existing Clients – Medium Risk
- Direct Clients of Delhi NCR – Medium Risk
- Direct Clients of other than Delhi NCR – High Risk
- Non- resident Clients – High Risk

Nature of Business Activity, Trading Turnover etc.

- Retail clients
(average daily turnover < Rs 10 Lacs & net Settlement obligation < Rs. 5 Lacs)
– Low Risk
- Retail clients
(average daily turnover > Rs. 10 Lacs but < 25 Lacs & net settlement obligation < Rs 15 Lakhs – Medium Risk
- Clients (average daily turnover > 25 Lacs & net settlement obligation > Rs 15 Lakhs– High Risk

Manner of Making Payment

- Regular payment through A/c payee cheque from the Bank A/c already mapped with us – Low Risk
- Payment through A/c payee cheque from the Bank A/c other than one already mapped with us – Medium Risk
- Payment through Banker`s Cheque / Demand Draft / Cash – High Risk
- Client of Special Categories – Very High Risk

(C) Suspicious Transaction identification and reporting

Suspicious Transactions

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 circumstance of unusual or unjustified complexity; or appear to have no economic rationale or bona fide purpose.

Reasons for Suspicious:-

- Identity of client
- Non-face to face client;
- False identification documents;
- Clients in high-risk jurisdiction;
- Accounts opened with names very close to other established business entities; Identification documents which could not be verified within reasonable time; Receipt back of welcome kit undelivered at the address given by the client; Doubt over the real beneficiary of the account;
- Suspicious background or links with criminals.

Multiple Accounts

- Unexplained transfers between such multiple accounts Activity in Accounts;
- Large number of accounts having a common parameters as common partners /directors / promoters / address / email address / telephone numbers introducer or authorized signatory;
- Use others different accounts by clients alternatively;
- Activity inconsistent with what be expected from declared business;
- Unusual activity compared to past transactions;
- Sudden activity in dormant accounts.

Nature of Transactions

- Source of funds is doubtful; Unusual or unjustified complexity;
- Appears to be case of insider trading;
- No economic rationale or bonafied purpose; Transactions reflect likely market manipulation;
- Suspicious off market transaction;
- Purchases made on own account transferred to a third party through an off market
- transaction through DP account.

Value of Transaction

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

Identifying and Reporting suspicious transaction

The Principle Officer for any suspicious transaction will transaction filtered out of the following filters in detail. As the Business dynamics are very varied and complex, defining transaction types for reporting will not be undertaken at this juncture. Having said that, the Principal Officer will review all the transactions thrown out by the filters and decides on a case-to case basis to report to FIU with in stipulated time with complete details.

These filters will be reviewed regularly for any updations and modifications to make the system more robust and effective.

1. Payment for payout to all the clients will be only through cheque. No cash payments to be entertained under any circumstances.
2. All third party cheques to the credit of clients accounts irrespective of the amount.
3. All payment made either by way of Demand Draft/ Cheque/ Money Transfer / Funds Transfer in foreign currencies irrespective of the In case of DD it should be accompanied by the letter of bank in case of some unavoidable situation.
4. To discourage the manipulation relating to the strength, we have started the provision of updating the financial statements of the clients annually and this is the ongoing procedure.

What to Report

The amount of the transaction and the currency in which it was denominated;
The date on which the transaction was conducted;

The nature of the transactions; The parties to the transaction; The reason of suspicion.

Retention of records

As per SEBI Circular no. SEBI/HO/MRD/DDAP/CIR//2020/153 dated august 18, 2020 (Communique CDSL/OPS/DP/POLICY/2020/389 dated September 10,2020) regarding corrigendum to Master Circular for Depositories dated October, 2019 on preservation of records, which reads as “ Depositories and Depository Participants are required to preserve the records and documents for a minimum period of 8 years.

Intermediaries shall take appropriate steps to evolve 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 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 ten years from the date of transactions between the client and intermediary.

As stated in sub-section 5.5, intermediaries are required to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. The records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later."

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. Records on client identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence shall also be kept for the same period.
- c. 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.

List of Designated Individuals/Entities

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>. Registered intermediaries are directed to ensure that accounts are not opened in the name of anyone whose name appears in said list. Registered intermediaries 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.

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

As per section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of

the UAPA. Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: ISD /AML / CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously.

In order to ensure expeditious and effective implementation of the provisions of Section 51A of UAPA, Government of India has outlined a procedure through an order dated February 02, 2021 (Annexure 1) for strict compliance. These guidelines have been further amended vide a Gazette Notification dated June 08, 2021 (Annexure 2). Corrigendums dated March 15, 2023 and April 22, 2024 have also been issued in this regard (Annexure 3) and (Annexure 4). The list of Nodal Officers for UAPA is available on the website of MHA.

Procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 – Directions to stock exchanges and registered intermediaries

1. The Government of India, Ministry of Finance has issued an order dated January 30, 2023 vide F. No. P-12011/14/2022-ES Cell-DOR (“the Order”) detailing the procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (“WMD Act”). The Order may be accessed by clicking on DoR_Section_12A_WMD.pdf.
2. In terms of Section 12A of the WMD Act, the Central Government is empowered as under:

“(2) For prevention of financing by any person of any activity which is prohibited under the WMD Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems, the Central Government shall have power to—

 - (a) Freeze, seize or attach funds or other financial assets or economic resources—
 - (i) owned or controlled, wholly or jointly, directly or indirectly, by such person; or
 - (ii) held by or on behalf of, or at the direction of, such person; or

(iii) derived or generated from the funds or other assets owned or controlled, directly or indirectly, by such person;

(b) prohibit any person from making funds, financial assets or economic resources or related services available for the benefit of persons related to any activity which is prohibited under the WMD Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems.

(3) The Central Government may exercise its powers under this section through any authority who has been assigned the power under sub-section (1) of section 7.”

3. The stock exchanges and registered intermediaries are directed to comply with the procedure laid down in the said Order.

Information to be maintained

Company will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PMLA Rules for the period of 10 years.

1. Contract Note;
2. Client Registration Forms;
3. Nature of the transactions;
4. Date on which the transaction was conducted;
5. Amount of the transaction and the currency in which it denominated;
6. Parties to the transaction.

Monitoring of transactions

We have initiated to regular monitoring of transactions for ensuring effectiveness of the AML procedures. In this respect we have an understanding of the normal activity of the client so that it can identify deviations in transactions / activities.

We shall pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. The intermediary may specify internal

threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIUIND/other relevant Authorities, during audit, inspection or as and when required. These records are required to be preserved for ten years as is required under the PMLA.

We shall ensure a 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 higher authorities within the intermediary.

Further, the compliance cell of the intermediary shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.

Hiring of Employees

We shall have adequate screening procedures in place to ensure high standards when hiring employees, having regard to the risk of money laundering and terrorist financing and the size of the business, we ensure that all the employees taking up such key positions are suitable and competent to perform their duties. The Company HR is instructed to cross check all the references and should take adequate safeguards to establish the authenticity and genuineness of the persons before recruiting. The department obtains the adequate documents for verification thereof.

Record Keeping

We 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. We 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 behavior.

We Shall 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, registered intermediaries 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:-

- the origin of the funds;
- the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts
- the identity of the person undertaking the transaction;
- the destination of the funds;
- the form of instruction and authority.

We 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.

6.5 More specifically, all the intermediaries shall put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:-

- all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- all suspicious transactions whether or not made in and by way of as mentioned in the Rules.

Employees' Training

Company adopted an ongoing employee training program so that the members of the staff are adequately trained in AML procedures. Training requirements have specific focuses for frontline staff, back-office staff, compliance staff, risk management staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind these guidelines, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements. The said training programme is being conducted through personal meeting/presentation.

Investors Education

Implementation of AML measures requires back office and trading staff to demand certain information from investors which may be of personal nature or which have hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This can sometimes lead to raising of questions by the customer with regard to the motive and purpose of collecting such information. There is, therefore, a need for the back office and trading staff to sensitize their customers about these requirements as the ones emanating from AML framework. The back office and trading staff should prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the AML programme.

Reporting to FIU

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)

1. **Cash Transaction Reports:** The Prevention of Money-laundering Act, 2002, and rule there under require every intermediary, to furnish to FIU-IND information relating to:
All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;

All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month;

The cash transaction report (CTR) (wherever applicable) for each month should be submitted to FIU-IND by 15th of the succeeding month.

All are requested not to accept cash from the clients whether against obligations or as margin for purchase of commodities or otherwise. All payments shall be received from the clients strictly by account payee crossed cheques drawn in favour of Ganesh Stockinvest Private Limited.

1. **Suspicious Transaction Reports:**

All are requested to analyze and furnish details of suspicious transactions, whether or not made in cash. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

The intermediary shall furnish to FIU-IND information of all suspicious transactions whether or not made in cash.

The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion. The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND concerning also the Red flags as indicated by FIU for generation of alerts and identification of suspicious transaction. Utmost confidentiality should be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/e-mail/fax at the notified address.

• **Counterfeit Currency Reports:**

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 may reported in Counterfeit Currency Reports (CCR).

Prevention of Money Laundering (Maintenance of Records) Rules, 2005

Prevention of Money Laundering (Maintenance of Records) Rules, 2005 has been amended as per the gazette notification dated June 1, 2017:-

1. Where the client has not submitted Aadhaar number at the time of commencement of account based relationship with the reporting entity, as per the PMLA requirement, then he/ it shall submit the same within 6 months of commencement of account based relationship with the reporting entity.
2. Similarly, where the client is already having an account based relationship with reporting entities, prior to the date of notification, and have not submitted Aadhaar number, as per the PMLA requirement, to the reporting entity, then he/ it shall submit the same by December 31, 2017
3. In case of failure to submit the documents within the aforesaid time limit, the account shall cease to be operational till the time Aadhaar number is submitted by the client.

Policies and Procedures to Combat Money Laundering and Terrorist financing

Essential Principles:

These Directives have taken into account the requirements of the PMLA as applicable to the intermediaries registered under Section 12 of the SEBI Act. The detailed Directives in Section II have outlined relevant measures and procedures to guide the registered intermediaries in preventing ML and TF. Some of these suggested measures and procedures may not be applicable in every circumstance. Each intermediary shall consider carefully the specific nature of its business, organizational structure, type of client and transaction, etc. to satisfy itself that the measures taken by it are adequate and appropriate and follow the spirit of the suggested measures in Section II and the requirements as laid down in the PMLA.

Obligation to establish policies and procedures:

- i. Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that all intermediaries ensure the fulfillment of the aforementioned obligations.
 - ii. To be in compliance with these obligations, the senior management of a registered intermediary 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. The Registered Intermediaries 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.
 - c. regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures
 - d. adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF
 - e. 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
 - f. have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
 - g. develop staff members’ awareness and vigilance to guard against ML and TF.
3. 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, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front-line staff, of their responsibilities in this regard. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

Review of policy

The aforesaid AML policy is reviewed periodically to meet the compliance requirements of PMLA 2002. The principal officer is the authority to give directions to concern for addition, changes, modifications etc. as directed by SEBI/FIU-IND.

Above said policies are reviewed by us on regular basis to keep it updated as per the various amendments in the PMLA rules.

In case any further information /clarification is required in this regard, the Principal Office may be contacted as follows:-

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For Ganesh Stockinvest Private Limited

Sd/- Compliance Officer

Reviewed on 05.08.2024
