

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

Prevention of money laundering Act (PMLA) Policy

SEBI Master Circular on Anti Money Laundering (AML and Combating Financing of Terrorism (CFT)- Obligations of Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules Framed there-under

1. Introduction
2. Background
3. Policies and Procedures to Combat Money Laundering and Terrorist financing
 - Essential Principles
 - Obligations to establish policies and procedures
4. Written Anti Money Laundering Procedures
5. Client Due Diligence
 - Elements of Client Due Diligence
 - Policy for acceptance of clients
 - Risk Based Approach
 - Clients of special category (CSC)
 - Client identification procedure
6. Record Keeping
7. Information to be maintained
8. Retention of Records
9. Monitoring of transactions
10. Suspicious Transaction Monitoring & Reporting
11. List of Designated Individuals/Entities
12. Procedure for freezing of funds, financial assets or economic resources or related services
13. Reports to Financial Intelligence Unit- India
14. Designation of an officer for reporting of suspicious transaction
15. Employees' Hiring/Training and Investor Education

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

PART-I

1. INTRODUCTION

1.1 The Prevention of Money Laundering Act, 2002 (“PMLA”) was brought into force with effect from 1st July 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on July 01, 2005 by the Department of Revenue, Ministry of Finance and Government of India.

1.2. As per the provisions of the PMLA, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with the securities market and registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act)) shall have to adhere to client account opening procedures and maintain records of such transactions as prescribed by the PMLA and rules notified there under.

2. BACK GROUND

2.1 The PMLA came into effect from 1st July 2005. Necessary Notifications/ Rules under the said Act were published in the Gazette of India on 1st July, 2005 by the Department of Revenue, Ministry of Finance, and Government of India. The PMLA has been further amended vide notification dated March 6, 2009 and inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as prescribed in Section 12 A read with Section 24 of the Securities and Exchange Board of India Act, 1992 (SEBI Act) will now be treated as a scheduled offence under schedule B of the PMLA.

2.2 As per the provisions of the PMLA, the financial institution and intermediary registered under Section 12 of the SEBI Act, shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Such transactions include:

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

- ❖ All cash transactions of the value of more than Rs 10 lakh 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 take place within one calendar month.
- ❖ 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.

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered.

3. POLICIES AND PROCEDURES TO COMBAT MONEY LAUNDERING (ML) AND TERRORIST FINANCING (TF)

3.1 Essential Principles

3.1.1 These Directives have taken into account the requirements of the PMLA as applicable to the intermediaries registered under Section 12 of the SEBI Act. This policy is drafted on the basis of nature of our 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 and the requirements as laid down in the PMLA.

3.2 Obligation to establish policies and procedures

3.2.1 The PMLA is in line with these measures and mandates that all intermediaries ensure the fulfillment of the objectives.

3.2.2 To be in compliance with these obligations, the senior management of a registered intermediary is fully committed to establishing appropriate policies and procedures for the prevention of money laundering (ML) and terror funding (TF) and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. The Entity 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

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

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 a system in 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

3.2.3 Policies and procedures to combat ML cover:

a. Communication of policy relating to prevention of ML and TF to all the 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.

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

PART II

4. WRITTEN ANTI MONEY LAUNDERING PROCEDURES

4.1 The Entity hereby adopting these written procedures to implement the anti-money laundering provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following three specific parameters which are related to the overall 'Client Due Diligence Process':

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

5. CLIENT DUE DILIGENCE

5.1 The CDD measures comprise the following:

- (a) To obtain sufficient information in order to identify persons who beneficially own or control the trading account, as per *SEBI circular CIR/MIRSD/2/2013 dated January 24, 2013 and as per our Beneficial Owner Policy*. The beneficial owner is the natural person or persons, who ultimately own, control or influence a client and/or person's on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- (b) To verify the client's identity using reliable, independent source documents, data or information;
- (c) To 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;
- (d) To 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);
- (e) To understand the ownership and control structure of the client;
- (f) To 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
- (g) To update all documents, data or information of all clients and beneficial owners collected under the CDD process.

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

(h) To verify the documents in original and to meet the client in person shall be done either by the employee of the entity or authorized person.

5.2 Policy for acceptance of clients:

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

(a) No account is opened in a fictitious / benami name or on an anonymous basis.

(b) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.

In order to achieve to achieve this objective, all clients of branch should be classified in the following category:

- ❖ Category A- Low Risk
- ❖ Category B- Medium Risk
- ❖ Category C- High Risk

Category-A

Clients are those pose low or nil risk. They are good corporate/HNIs have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.

Category-B

Clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with us.

Category-C

Clients are those who have defaulted in the past, have suspicious background, do not have any financial status etc.

(c) Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.

(d) Ensure that an account is not opened where the Entity is unable to apply

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

appropriate CDD measures/KYC policies. This shall 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. The market intermediary shall not continue to do business with such a person and file a suspicious activity report.

(e) The circumstances under which the client is permitted to act on behalf of another person / entity shall be only after approval of senior management and principal officer. 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 as per mandate given by the registered client subject to provision, bye-laws and other given under PMLA and any other law for the time being in force.

(f) 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.

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

5.3 Risk Based Approach:

5.3.1 It is generally 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 entity shall allow to trade only after enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence (not such enhanced due diligence) shall be for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that may be necessary for the purpose depending upon 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.

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

5.3.2 Risk Assessment:

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

ii. 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.

5.4 Clients of special category (CSC):

Such clients 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 policy 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

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

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.

NRI: All NRI accounts will be marked.

High Net worth Clients: High net worth clients could be classified if at the account opening stage or during the course of the relationship, it is realized that the client's net worth is beyond ten crore or income is beyond 1 crore.

Trust, Charity and NGOs: Both public as well private, registered as well non registered trust will have to be classified in the special category. Any Charitable or Non-governmental organization or a no Profit Organization will be also classified herein.

Close family shareholdings or Beneficial Ownership: In case of close family shareholdings the objective is to understand whether the beneficiaries of two or more accounts, which may also be opened at different times are same, then both need to be marked under this special category.

Politically Exposed Persons: Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.

Entity offering foreign Exchanges: At the account opening stage if it is to our knowledge that the individual or the entity is registered foreign exchange dealer,

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

then the same may be categorized.

Client in High Risk Country: We avoid to open any account received from client who was residing in a high risk jurisdiction and may have investment proceeds which may have also originated from these countries.

Non Face to Face Client: In person verification is done for all clients. But there may be clients who may register a power for somebody else in their account and in that scenario as the account would be controlled not by the account holder but by some other individual we would treat as a non-face to face account and the same would be categorized accordingly.

Client with dubious Public Reputation: If a client's reputation during the opening of the account or post opening the account is known to be not good, then the same is marked in this special category.

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.

5.5 Client identification procedure (CIP):

5.5 The KYC policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the 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.

We should be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):

(a) We 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 (PEP). 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 5.5 shall also be applicable where the beneficial owner of a client is a PEP.

(b) It is required to obtain senior management approval for establishing

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

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, entity shall require to obtain senior management approval to continue the business relationship.

(c) It 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.

5.5.1 SEBI has prescribed the minimum requirements relating to KYC for certain classes of registered intermediaries from time to time as detailed in the table. Further we have also mandated the Aadhaar number of client (in case of Individual)/ of the managers, officers or employees holding an attorney to transact on the company's behalf (in case of Company)/ person holding an attorney to transact on its behalf (in case of the partnership/trust) issued by the Unique Identification Authority of India as laid down by Prevention Of Money-Laundering (Maintenance Of Records) Second Amendment Rules, 2017, subject to the provisions laid down under given notification and further amendment thereof. 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, the Entity shall follow the procedure as direction given by the Principal Officer in this manner based on experience in dealing with their clients and legal requirements as per the established practices.

Further, we 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 there under so that the intermediary is aware of the clients on whose behalf it is dealing.

5.5.2 The CIP shall be hereby adopted and implemented 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

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

the identity of the clients of the Entity and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients. We shall also adhere to the amended rules of PML vide notification No. 13/2009 dated November 12, 2009.

5.5.3 We shall obtain 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 irrespective of the amount of investment made by 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 the Entity.

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

i. We also may 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.

ii. 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. Further, it is clarified that the registered intermediary shall be ultimately responsible for CDD and undertaking due diligence measures, as applicable.

6. RECORD KEEPING

6.1 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.

6.2 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.

6.3 Shall there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, The Entity 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 etc.
 - The identity of the person undertaking the transaction;
 - The destination of the funds;
 - The form of instruction and authority.

6.4 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, the Entity shall put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:

- (i) All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- (ii) All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- (iii) All cash transactions 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;
- (iv) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

7. INFORMATION TO BE MAINTAINED

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

- I. The nature of the transactions;

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

- II. The amount of the transaction and the currency in which it is denominated;
- III. The date on which the transaction was conducted; and
- IV. The parties to the transaction.

8. RETENTION OF RECORDS

8.1 This policy also covered to 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 Five years from the date of transactions between the client and intermediary.

8.2 As stated in sub-section 5.5, we 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. *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.*

8.3 Thus the following document retention terms shall be observed:

(a) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed there under as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.

(b) *The Entity shall maintain and preserve the record of documents evidencing the identity of its clients and beneficial owners (e.g., copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.*

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

8.5 Records of information reported to the Director, Financial Intelligence Unit - India (FIU-IND):

We shall also to maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

years from the date of the transaction between the client and the intermediary.

9. MONITORING OF TRANSACTION

9.1 Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. This is possible only if the intermediary has an understanding of the normal activity of the client so that it can identify deviations in transactions / activities.

9.2 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 / FIU- IND/other relevant Authorities, during audit, inspection or as and when required. These records are required to be *maintained and preserved for a period of five years from the date of transaction between the client and intermediary* as is required under the PMLA.

9.3 We shall also 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.

9.4 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?

10. SUSPICIOUS TRANSACTION MONITORING & REPORTING

10.1 We shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. The monitoring of suspicious transaction shall be on regular basis.

10.2 A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

the transactions and other facts and circumstances:

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

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

10.4 It is likely that in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. It is clarified that the Entity shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

10.5 Clause 5.4(vii) of this Policy categorizes clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'CSC'. We also directed that such clients shall also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

11. LIST OF DESIGNATED INDIVIDUALS/ENTITIES

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

11.1 An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>.

11.2 It must be ensure that accounts are not opened in the name of anyone whose name appears in said list. We 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.

12. PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES

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.

13. REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA

13.1 In terms of the PML Rules, intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

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

13.2 The requirements and formats are divided into two parts- Manual Formats and Electronic Formats. Details of these formats are given in the documents (Cash Transaction Report- version 1.0 and Suspicious Transactions Report version 1.0 or as may be prescribed time to time). The detailed instructions for filing all types of reports are given in the instructions part of the related formats, intermediaries shall adhere to the following:

- (a) The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- (b) The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.
- (c) The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;
- (d) Utmost confidentiality shall be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.
- (e) No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious transactions to be reported.

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

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

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

14. DESIGNATION OF AN OFFICER FOR REPORTING OF SUSPICIOUS TRANSACTIONS

14.1 To ensure that the registered intermediaries properly discharge their legal obligations to report suspicious transactions to the authorities, the Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions and shall have access to and be able to report to senior management including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, it is advisable that the 'Principal Officer' is of a sufficiently senior position and is able to discharge the functions with independence and authority.

15. EMPLOYEES' HIRING/EMPLOYEE'S TRAINING/ INVESTOR EDUCATION

15.1 Hiring of Employees

It shall be mandatory adequate screening procedures to be in place to ensure high standards when hiring employees. We shall identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

15.2 Employees' Training

An ongoing employee training programme must be conducted so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements shall have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

15.3 Investors Education

Implementation of AML/CFT measures requires certain information from investors which may be of personal nature or has 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 client with regard to the motive and purpose of collecting such information. There is, therefore, a need for intermediaries to sensitize their clients about these requirements as the ones emanating from AML and CFT framework. Intermediaries shall prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme.

SAROJ SECURITIES

309 KAN CHAMBER, 14/113 CIVIL LINES, KANPUR – 208 001

Member: The National Stock Exchange of India Ltd.

SEBI Regn No: INZ000224427

OTHERS

This policy is drafted by the Compliance Department of the Saroj Securities reviewed and adopted by its partners.

The policy shall be reviewed from time to time as and when required by the Management and also implement the change after any change in the Act through amendment in the Act, Provision or any circular issued in this manner.

Principal Officer:

Mr. Sanjay Agarwal is the Principal Officer of the Saroj Securities.

The PO is responsible for:

- ❖ Receiving internal suspicious activity report
- ❖ Taking reasonable steps to access any relevant KYC information on concerned parties
- ❖ Making external report as required
- ❖ Obtaining and using national and international findings concerning countries with inadequacies in their approach to money laundering prevention
- ❖ Taking reasonable steps to establish and maintain adequate arrangements for awareness creation and staff training.

The Principal Officer, or any other person to whom the Principal Officer's duties have been delegated, shall have access to any information of the customer or transaction(s).

The Principal Officer shall have access to and be able to report to senior management.

For Saroj Securities

Sanjay Agarwal
(Partner)