



**Anti-Money Laundering Policy  
(Effective 14<sup>th</sup> January 2019)**



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## ▪ **Preface:**

Pursuant to the recommendations made by the Financial Action Task Force on anti-money laundering standards, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No.ISD/CIR/RR/AML/1/06 dated 18th January 2006, vide letter No.ISD/CIR/RR/AML/2/06 dated 20th March 2006 and vide Circular number CIR/MIRSD/1/2014 dated March 12th, 2014 had issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place

## ▪ **What is Money Laundering?**

Money Laundering is the process by which criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities.

The term “Money Laundering” is also used in relation to the financing of terrorist activity (where the funds may, or may not, originate from crime).

Money is moved around the financial system again and again in such manner that its origin gets hidden. This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

## ▪ **Prevention of Money Laundering Act, 2002**

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

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

For the purpose of PMLA, transactions include:

- All cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency
- All series of cash transactions integrally connected to each other which have been valued below Rs. 10 lakhs or its equivalent in foreign currency, such series of transactions 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

## ▪ **Financial Intelligence Unit (FIU) – INDIA**

The Government of India had set up Financial Intelligence Unit-India (FIU-IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.



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

▪ **KYC/ AML policy of Moneylicious Securities Private Limited (herein referred to as MSPL)**

The KYC / AML philosophy of MSPL is to prevent it from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. The objective of this policy is also to enable MSPL to know / understand its clients and their financial dealings better, which in turn will help it to manage its risks prudently.

It is important that MSPL management views “money-laundering prevention” and “knowing your client” as part of the risk management strategies and not simply as stand-alone requirements that are being imposed by legislation/regulators’.

▪ **Objective of the policy**

- To have a proper Client Due Diligence (CDD) process before registering clients.
- To monitor/maintain records of all cash transactions of the value of more than Rs.10 lacs.
- To maintain records of all series of integrally connected cash transactions within one calendar month.
- To monitor and report suspicious transactions.
- To identify and discourage money laundering or terrorist financing activities.
- To take adequate and appropriate measures to follow the spirit of the PMLA.

▪ **Appointment of Principal Officer**

The duties of the Principal Officer are:

- Monitoring the firm’s compliance with Anti Money Laundering (“AML”) obligations
- Overseeing communication and training for employees.
- Ensuring that proper AML records are kept.
- When warranted, necessary reports to be filed with the Financial Intelligence Unit (FIU).
- Advising Authorized persons to adhere to the strict compliance of the PMLA

**Ms. Ronita Gupta shall be Principal Officer for MSPL and the intimation of her appointment as such has been provided to FIU, CDSL, BSE, NSE and MCX.**



## ▪ **Implementation of this Policy**

The main aspect of this policy is the Client Due Diligence Process which means:

- Obtaining sufficient information about the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted.
- Verifying the client's identity using reliable, independent source document, data or information.
- Conducting on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted is consistent with the client's background/financial status, its activities and risk profile.
- The Client Due Diligence Process includes three specific parameters:
  1. Policy for Acceptance of Clients
  2. Client Identification Procedure
  3. Suspicious Transactions identification & reporting

## ▪ **Policy for Acceptance of Clients**

No account shall be opened in anonymous or fictitious / benami name(s). PAN shall be mandatory for each account. Each client shall have one account only.

To ensure that the initial forms taken from the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. It shall also be ensured that the 'Know Your Client' guidelines are followed without any exception and all supporting documents as specified SEBI, Exchanges or any other authority are obtained and verified.

- **Exercise caution while accepting Clients of Special category:** KYC Team 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, shell companies, overseas entities, clients in high risk countries, non-face to face clients, clients with dubious background. Current/Former Head of State, 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.
- **Guidelines on Identification of Beneficial Ownership:** For non-individual clients as part of the due diligence measures sufficient information must be obtained in order to identify persons who beneficially own or control 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 should be identified and verified using client identification and verification procedures as early as possible. 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(s) is/are being conducted. It includes persons who exercise ultimate effective control over a legal person or arrangement.



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

## ▪ **Client Identification Procedure**

- **For New Clients:** The client shall be identified by obtaining the necessary documentation from the client. The document prescribed by statutory authorities can only be taken.
  - **For all Existing clients:** On an on-going basis, the branches should ensure that the details given in the KYC, by the client, match with the current details of the client. If required, additional documents/information from the client could be procured to verify the financial/general status of the client.
  - The mentioned cases need to be immediately brought to the notice of the Principal Officer
1. There is any material negative change in the financial details of the client from what is mentioned in the KYC.
  2. If the client is not contactable/traceable or contracts notes/ communications sent are received back undelivered.
  3. In case the client is prohibited by any regulatory authority.
  4. The client refuses to provide additional information/document asked for.
  5. There is a material change in the mandate holder profile/details

**The Principal Officer will consider reporting the same to FIU, New Delhi.**

- General Guidelines:
  1. In Person Verification of KYC Documents is compulsory
  2. Obtain the latest photograph of account holder/ authorized person(s)
  3. Check for latest IT return of the client/ Net worth Certificate for ascertaining the financial status of the client to know the client suitability of the product being sold to the client
  4. Review of the above details on-going basis to ensure that the transactions being conducted are consistent with our knowledge of clients, its business and risk profile, taking into account, where necessary, the client's source of funds.
  5. Scrutinize the forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, ask for any additional details like salary slips, etc. to satisfy yourself whenever there is a doubt.
  6. For scrutiny / background check of the clients, websites such as [www.watchoutinvestors.com](http://www.watchoutinvestors.com) should be referred. Also, Prosecution Database / List of Vanishing Companies available on [www.sebi.gov.in](http://www.sebi.gov.in) and RBI Defaulters Database available on [www.cibil.com](http://www.cibil.com) can be checked.
  7. Keep watch on the welcome kits returned with reason - undelivered. Principle Officer should be alerted, client be contacted immediately on telephone and the trading, if suspected, should be suspended
  8. Employee of MSPL should not preferably sign as witness on the Account Opening Form.
    - I. If Employee of MSPL introduces the client, exact relation of the client with such employee should be documented.
    - II. 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>. MSPL to ensure that accounts are not opened in the name of anyone whose name appears in said list. MSPL 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 FIUIND.

III. In case IPV of KYC cannot be done the following List of persons are authorized to attest the documents

9. Notary Public, Gazette Officer, Manager of a Scheduled Commercial/ Co-operative Bank or Multinational Foreign Banks (Name, Designation & Seal should be affixed on the copy).
10. In case of NRIs, authorized officials of overseas branches of Scheduled Commercial Banks registered in India, Notary Public, Court Magistrate, Judge, Indian Embassy /Consulate

General in the country where the client resides are permitted to attest the documents.

- Process wherein the name of the client (new or existing) matches with the negative list

Type of Client	Document Details matching with Negative List	Action to be taken
New	PAN Name	Reject account 1. Check the address or any other detail in the SEBI/FMC order. 2. If anything is closely resembling the client in question – Escalate case to Principal officer before opening 3. Principal Officer to speak to the client over a recorded line. 4. Take a declaration from the client that he is not the same person. 5. If the client is not cooperating – Not to open the account. 6. If the client provides the documents, onboard the client and place in high risk
Existing	PAN Name / Address / Other details	Proceed for closure 1. Escalate to Principal officer 2. Review past transactions. 3. If the past transactions have shown any similarity to SEBI/FMC order or any alert – Close the account 4. If not – ask the client to provide declaration he is not the same person. 5. If the client is not cooperating – close the account 6. If the client provides the documents, place in high risk



- **Reliance on third party for carrying out Client Due Diligence**

1. MSPL may rely on a third party for the purpose of
  - I. identification and verification of the identity of a client and
  - II. 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. MSPL may rely on a third party subject to the conditions that—
  - I. MSPL immediately obtains necessary information of such client due diligence carried out by the third party;
  - II. MSPL takes 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. MSPL is 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;
  - V. MSPL is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable;

- **Risk Evaluation and Client Profiling**

Clients to be accepted based on the risk they are likely to pose. The aim is to identify clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, there is a need to classify the clients as low risk, medium risk and high risk clients. Classification of clients on the basis of risk will enable appropriate client due diligence process. That is, for high risk client there is a need to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc.

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

Category A – Low Risk

Category B – Medium Risk

Category C – High risk

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 the URL -

[http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml)

and

<http://www.un.org/sc/committees/1988/list.shtml>)



Any change in the risk profile of the client/mandate holder, has to be ascertained by the concerned branch officials, and reported to the Principal Officer immediately

- Risk Categorization for Accounts in Individual Names

RISK CATEGORISATION FOR ACCOUNTS IN THE NAME OF INDIVIDUALS		
Type	Recommended Risk Categorisation	Risk Perception
Salaried	Low risk	Source of income is fixed and pattern of entries in the account can be correlated with known sources of income/ expenditure
Senior citizens	Medium / High Risk	Source of income for trading related purposes not known clearly. May be operated by third parties. Will be considered high risk in case operating in F&O
House-wife , Students	Medium / High Risk	Source of income for trading related purposes not known clearly. May be operated by third parties. Will be considered high risk in case operating in F&O
Self Employed- Professionals/ Businessmen	Low risk (except professionals associated with the film industry who will be categorized as "Medium" risk).	Accounts maintained by Chartered Accountants, Architects, Doctors, Lawyers, Sportsmen, etc.
Non Resident Individuals	Low / Medium risk	Transactions are regulated through AD and the accounts are opened only after IPV. In case an IPV is not performed and we have relied on documentation submitted by the client, the account would be categorised as medium risk.
Politically Exposed Persons	High Risk	MSPL should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Sales Team should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. Such accounts should be subjected to enhanced monitoring on an ongoing basis. The above norms should also be applied to the accounts of the family members and close relatives of PEPs. Account of PEP should be opened post approval from Principal Officer and Business Head. Due Diligence measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis

- Risk Categorization for accounts in the name of Non Individuals:  
Risk categorization of Non Individual clients can be done basis:  
Type of Entity  
Type of Industry  
Country of Domicile



- Classification on the basis of Type of Entity

Type	Recommended Risk Categorisation	Risk Perception
Private Ltd/Public Ltd Companies	Low / Medium / High risk	Depending on the clarity of the shareholding structure and the nature of operations, such companies would be classified. Such classifications shall be decided post the review of the compliance officer
Local Authorities or Public Bodies	Low Risk	They are constituted under Special Acts. Operations are governed by such Acts / Rules
Public Sector Undertakings, Government Departments/ Undertakings, Statutory Corporations	Low Risk	These types of entities are governed by specific Acts, Notifications etc framed by the Government of India or the State Govt and are controlled and run by the Govt.
Mutual Funds/Scheduled Commercial Banks/Insurance Companies/Financial Institutions	Low Risk	These entities are strictly regulated by their respective regulators.
Partnership Firm	Low / Medium / High risk	Depending on the clarity of the shareholding structure and the nature of operations, such entities would be classified. Such classifications shall be decided post the review of the Principal officer
Trusts – Public Charitable Trust	Medium / High Risk	Depending on the clarity of the beneficial ownership and the nature of operations, such entities would be classified. Such classifications shall be decided post the review of the Principal officer
Hindu Undivided Family (HUF)	Medium Risk	These are unregistered bodies and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.
Societies / Associations / Clubs	High Risk (except 'Housing Societies' which will be categorized as "Low" risk).	These are not highly regulated entities and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.
Trusts – Private Trust	High Risk	These may be unregistered trusts and the pattern of entries in the account may not be correlated with known sources of income/ expenditure.
Co-operative Banks	High Risk	These are not highly regulated entities



- Classification on the basis of Industry

Risk Category	Industry
High	The Risk categorisation is dependent on industries which are inherently High Risk or may exhibit high cash intensity, as below: Arms Dealer Money Changer Exchange Houses Gems / Jewellery / Precious metals / Bullion dealers (including sub-dealers) Real Estate Agents Construction Offshore Corporation Art/antique dealers Restaurant/Bar/casino/night club Import/ Export agents (traders; goods not used for own manufacturing/retailing) Share & Stock broker Finance Companies (NBFC) Transport Operators Auto dealers (used/ reconditioned vehicles/motorcycles) Scrap metal dealers Liquor distributorship Commodities middlemen Co-operative Banks Car/Boat/Plane dealerships/brokers Multi Level Marketing (MLM) Firms
Medium	None
Low	All other Industries

- Classification Based on Country of Domicile

In case of any Bangladesh or Pakistan based Non-Individual, the principal officer to be informed

The Risk Categorization to be derived from the higher of the risk profiles mentioned in either 10.2.1, 10.2.2 or 10.2.3 for the any account.

- **Mandate Holder Policy**

The primary objective of this policy is to ensure that MSPL is aware as to who is the ultimate beneficiary of the transaction and that the transactions executed, through the mandate holder are bonafide.

It is possible that some of the individual clients might appoint a mandate holder. Normally the trading account is opened in the name of various family members and one the family member will hold the mandate. Also, in case of some NRI clients who are based abroad, there may be on a PoA /Mandate in favour of a person residing in India

Whenever any account is operated by a mandate holder, the relationship of the mandate holder with the client needs to be ascertained. The identity of the mandate holders has to be established by obtaining proof of identity and address.



Payment not to be accepted from the account of mandate holder in favour of the client. All the payments have to be received from the client's bank account only for which the PoA holder may or may not have the mandate to operate the bank account. Similarly, pay-out cheques should be issued only in the name of the client and not in the name of the mandate holder

In case there is suspicion on the relationship between the mandate holder and the actual client or in case behavior of the mandate holder is suspicious, do take necessary advice from the Sales Head and Principal Officer.

If any account is operated by a Mandate Holder, the account should be categorized as High Risk irrespective of the original categorization of its beneficiary.

▪ **Role of Risk Management Team (herein referred to as RMT)**

RMT gives exposure to clients based on margin available in the system and clean exposure to selected clients based on recommendations of the Sales Team. It is also the duty of RMT to validate such exposures with the financial details provided by the client in KYC forms.

Where there is a trading activity of the client, which is not commensurate with the financial details declared by the client, it should be analyzed and referred to the Principal Officer with reasons of suspicion.

• **Monitoring of Transactions**

1. Scrutinize unusually large transactions like, clients having traded in scrip/shares of a company for a quantity of 20,000 or more in a single day and volume in that scrip of that client is 25% or more of the total volume in that scrip of the Exchange.
  - I. Check trade log for indication of negotiated trades (if any)
  - II. Check for any relation of the client with the company / directors / promoters.
  - III. Check previous trading pattern of the clients in that particular scrip.
2. Scrutinize bulk deal transactions by sample check. A 'bulk' deal constitutes transaction in a scrip (on each Exchange) where total quantity of shares bought/sold is more than 0.5% of the number of equity shares of the company listed on the Exchange
3. Select randomly few clients and pick their few transactions and scrutinize to check whether they are of suspicious nature or not.
4. If substantial increase in turnover in a dormant account is found, it should be brought into the notice of the senior management. Review balances and trading in the dormant accounts. Be vigilant on the movement of credit balances of the dormant account.
5. Analyses are carried out by RMT to identify clients with huge and regular losses and are still placing trades/orders. Identification of the Sources of funds in such cases.
6. Analysis is also carried out in respect of disproportionate profit/ loss booked by a client trading in "F&O" segment vis-à-vis the value of the contract in illiquid scrips/ derivatives.
7. Suspicious transactions to include 'transactions integrally connected' as well as 'transactions remotely connected or related'.



- **Parameters for analyzing the transactions:**

1) Analysis of top clients in terms of turnover

On a periodic basis identify top 50 clients on descending order of turnover and ascertain whether the same matches with the financial status of the client. Moreover, analyze whether there is commensurate fund movement, whether the payments are being made, in cheque and from the bank account(s) of the clients registered with MSPL etc. To the extent possible, obtain the latest Income Tax return of the client to ascertain the financial capacity of the client.

2) Analysis of top client in terms of increase in turnover

On a periodic basis identify the top 25 clients, on descending order of increase in turnover over a Threshold amount of Rupees One Crore. Then analyze whether the same matches with the financial status of the client, whether there are commensurate funds movement, whether the payments are being made through cheque from the bank account(s) of the client, etc. Where ever possible, we need to obtain the latest Income Tax return of the client to ascertain the level of income of the client.

3) Matched trades (where the buy and sell clients are with the same AP or Branch)

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

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

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

5) Client concentration in particular scrip or select scrips

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

6) Analysis of trades in illiquid counter (illiquidity can be with reference to the average volume in the scrip over the last 3 months below a particular level). A daily analysis of the client's volume with respect to the total traded volume at the exchange has to be done. This will help in identifying whether the client is indulging in any sort of manipulation like creation of artificial volume, artificial price movement, circular trading, etc.

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

8) Analysis of NRI/Foreign clients/institutional trades especially w.r.t. payment patterns  
Undertake a periodic analysis of the trades executed by NRI/Foreign clients/institutional clients. It should be supplemented by analysis of the payment patterns, trading patterns, etc. With respect to the institutions, analyze all the cancelled trades and 'Delivery Vs Payment' trades to see whether the institutional code is being misused. In such cases, also ascertain who the ultimate beneficiary of the trades.

9) Analysis of client payments in DD, Pay order, cash etc.

Undertake a periodic analysis of all the payments received from client by way of DD/Pay order. This will help in ascertaining whether any client's DD/ Pay Orders have been purchased against "Cash" or whether any client is making third party payments. The third party payments can relate to employees also.



10) Employees/Sub broker account trades

Need to analyze the trades undertaken in the employees (including immediate family members of employees) or AP's own trading account. It is possible that the employees (including immediate family members of employees)/APs might be accepting cash from the clients and executes the trades in their account. Similarly, it is possible that the profit on trades of the clients are being shifted to the employees (including immediate family members of employees)/AP's accounts.

11) Frequent change in client details like bank accounts, demat accounts, addresses, etc.

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

- 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 stock exchanges, depositories and MSPL shall ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated August 27, 2009, listed below-

1. On receipt of the updated list of individuals / entities subject to UN sanction measures

(hereinafter referred to as 'list of designated individuals/ entities) from the Ministry of External Affairs (MHA)'; SEBI will forward the same to stock exchanges, depositories and registered intermediaries (MSPL) for the following purposes:

- I. To maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.
- II. In the event, particulars of any of customer/s match the particulars of designated individuals/entities, stock exchanges, depositories and intermediaries shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer on their books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at [jsis@nic.in](mailto:jsis@nic.in).
- III. Stock exchanges, depositories and registered intermediaries shall send the particulars of the communication mentioned in (ii) above through post/fax and through e-mail ([sebi\\_uapa@sebi.gov.in](mailto:sebi_uapa@sebi.gov.in)) to  
The UAPA nodal officer of SEBI,  
Officer on Special Duty,  
Integrated Surveillance Department,  
Securities and Exchange Board of India,



SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra  
Kurla Complex, Bandra (E), Mumbai 400 051

as well as the UAPA nodal officer of the state/UT where the account is held, as the case maybe, and FIU-IND.

- IV. In case the aforementioned details of any of the customers match the particulars of designated individuals/entities beyond doubt, stock exchanges, depositories and registered intermediaries would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at [jsis@nic.in](mailto:jsis@nic.in).
- V. Stock exchanges, depositories and registered intermediaries shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph 2.9.2 (a) (ii) above carried through or attempted, as per the prescribed format.

On receipt of the particulars as mentioned in paragraph 2.9.3 (a) (ii) above, IS-I Division of MHA would cause a verification to be conducted by the State Police and /or the Central Agencies so as to ensure that the individuals/ entities identified by the stock exchanges, depositories, registered intermediaries are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by stock exchanges, depositories, registered intermediaries are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND. The order shall take place without prior notice to the designated individuals/entities.

- **Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person**

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



▪ **Monitoring of Proprietary Transactions of Authorized Persons (A. Ps)**

- For scrutiny / background check of the Authorized Persons, websites such as [www.watchoutinvestors.com](http://www.watchoutinvestors.com) should be referred. Also, Prosecution Database / List of Vanishing Companies available on [www.sebi.gov.in](http://www.sebi.gov.in)
- Check for high volume in proprietary account of Authorized Person and his/her relations.
- Scrutinize Demat account of Authorized Person
- List all off market transfers and if in doubt seek explanation from concerned Channel partner separately
- Check for third party funds (cheques received from bank accounts other than mapped bank accounts and demand drafts / pay orders)

▪ **Cash Transactions:**

All are requested not to accept cash from the clients whether against obligations or as margin for purchase of securities or otherwise. All payments shall be received from the clients strictly by

- Account Payee Cheques
- NEFT /RTGS
- IMPS

In case account payee cheques have been received from a bank account other than that captured in records the same can be accepted after ascertaining that the client is the first holder of the account. Relevant copies of the supporting documents should be sent to HO and details of such accounts should be captured in records.

In case of NEFT /RTGS/IMPS, screen shot of the client's online bank receipt (where account number of client is disclosed) should be provided.

Only in exceptional cases, bank draft/pay-order may be accepted from the client provided identity of remitter/purchaser written on the draft/pay-order matches with that of client else obtain a certificate from the issuing bank to verify the same.

▪ **Suspicious Transactions**

Suspicious transactions, whether or not made in cash to be analyzed and furnished. It should be ensured that there is no undue delay in analysis and arriving at a conclusion.

- Definition of Suspicious Transaction: Suspicious transaction means a transaction whether or not made in cash, to a person acting in good faith which
  1. Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime or
  2. Appears to be made in circumstance of unusual or unjustified complexity; or
  3. Appears to have no economic rationale or bona fide purpose



- Reasons for Suspicious:
  1. Identity of client: False identification documents i.e. Identification of documents which could not be verified within reasonable time
  2. Non-face to face client
  3. Clients in high-risk jurisdiction
  4. Doubt over the real beneficiary of the account
  5. Accounts opened with names very close to other established business entities
  6. Receipt back of welcome kit undelivered at the address given by the client
  
- Suspicious Background: Suspicious background or links with criminals
- Multiple Accounts
  1. Large number of accounts having a common parameter such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory
  2. Unexplained transfers between such multiple accounts.
  
- Activity In Accounts
  1. Unusual activity compared to past transactions
  2. Use of different accounts by client alternatively
  3. Sudden activity in dormant accounts
  4. Activity inconsistent with what would be expected from declared business
  5. Account used for circular trading
  
- Nature Of Transactions
  1. Unusual or unjustified complexity
  2. No economic rationale or bonafied purpose Source of funds are doubtful
  3. Appears to be case of insider trading
  4. Purchases made on own account transferred to a third party through an off market transaction through DP account Transactions reflect likely market manipulations Suspicious off market transactions.
  
- Value Of Transactions
  1. Value just under the reporting threshold amount in an apparent attempt to avoid reporting
  2. Large sums being transferred from overseas for making payments Inconsistent with the clients apparent financial standing Inconsistency in the payment pattern by client
  3. Block deal which is not at market price or prices appear to be artificially inflated/deflated
  
- What to Report
  1. The nature of the transactions
  2. The amount of the transaction and the currency in which it was denominated
  3. The date on which the transaction was conducted: and
  4. The parties to the transaction.
  5. The reason of suspicion.



- When to Report

In terms of the PMLA rules, brokers and sub-brokers are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) 6th Floor, Hotel Samarat, Chanakyapuri, New Delhi -110021.

1. Cash Transaction Report ( CTR )

While detailed instructions for filing all types of reports are given in the instructions part of the related formats, banks should scrupulously adhere to the following:

- I. The Cash Transaction Report (CTR) for each month should be submitted to FIU-IND by 15th of the succeeding month. Cash transaction reporting by branches to their controlling offices should, therefore, invariably be submitted on monthly basis (not on fortnightly basis).
- II. All cash transactions, where forged or counterfeit Indian currency notes have been used as genuine should be reported by the Principal Officer to FIU-IND in the specified format not later than seven working days from the date of occurrence of such transactions (Counterfeit Currency Report – CCR). These cash transactions should also include transactions where forgery of valuable security or documents has taken place and may be reported to FIU-IND in plain text form. Details of individual transactions below Rupees Fifty thousand need not be furnished.
- III. The CTR is generated in the format prescribed by Reserve Bank in Para 2.19(iv)(b) of Master Circular on Know Your Customer (KYC) norms /Anti-Money Laundering (AML) standards/ Combating of Financing of Terrorism (CFT)/Obligation of banks under PMLA, 2002 dated July 01, 2010;

2. Suspicious Transaction Reports (STR)

- I. While determining suspicious transactions, MSPL should be guided by definition of suspicious transaction contained in PMLA Rules as amended from time to time.
- II. It is likely that in some cases transactions are abandoned/aborted by clients on being asked to give some details or to provide documents. It is clarified that MSPL should report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.
- III. MSPL should make STRs if they have reasonable ground to believe that the transaction involve proceeds of crime generally irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA, 2002.
- IV. The Suspicious Transaction Report (STR) should be furnished 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 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 once a suspicious transaction report is received from a branch or any other office. Such report should be made available to the competent authorities on request.



- V. No restrictions on operations in the accounts where an STR has been made to be imposed. MSPL and their employees should keep the fact of furnishing of STR strictly confidential, as required under PML Rules. It should be ensured that there is no tipping off to the client at any level.

## ▪ **Role of Other Departments**

- Role of Human Resource Department

1. The Human Resource Department and other Department Heads involved in hiring new employees should have adequate screening procedure in place to ensure high standards in hiring new employees.
2. Bona fides of employees are checked to ensure that the employees do not have any link with terrorist or other anti-social organizations.
3. Briefings to new employees at induction programs and rounds of small meetings and presentations at branch locations.
4. Adequate training should be given to all the concerned employees to (a) ensure that the contents of the guidelines are understood and (b) develop awareness and vigilance to guard against money laundering and terrorist financing.
5. AML policy should be covered during the induction training given to given to all new recruits and also during the on-going compliance sessions at the regions.
6. "Know Your Employee" procedures should be in place.

- Role of Sales Heads/Zonal Business Head /Branch Co-ordinator

Being in the field, they have market intelligence about potential mischief makers which should be brought to the notice of CRD, Legal and RMT.

- Role of Legal Cell

1. KYC forms and other documents drafted should invariably have undertaking from the client that he is not indulging in or has not been associated with any money-laundering activity or terrorist activity and that he has not been convicted of any fraud/offence/ crime by any regulatory authority existing in the country.
2. All disclosure documents should have notice to the client informing about company's right to obtain and disclose any information about the client to the competent authority as may be required.

- Role of Internal Audit

This Policy will be reviewed regularly by the Internal Audit Head for its effectiveness since the person reviewing the policy should be different from the person framing the policy.



- **Maintenance and Preservation of Records**

MSPL has taken appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities.

Accounts Department should maintain for at least ten years from the date of transaction between the bank and the client, all necessary records of transactions, both domestic or international, which

will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity

Account Opening Department should ensure that records pertaining to the identification of the client and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least ten years after the business relationship is ended as required under Rule 10 of the Rules *ibid*. The identification records and transaction data should be made available to the competent authorities upon request.

All the findings at Principal Officer level should be properly recorded. Such records and related documents should be made available to help auditors in their day-to-day work relating to scrutiny of transactions and also to Reserve Bank/other relevant authorities. These records are required to be preserved for ten years as is required under PMLA, 2002

- **Periodicity of updating information/ documents under CDD should be mentioned in the Policy document.**

MSPL, to conduct review of risk categorization of clients at a periodicity of once in six months. MSPL shall be undertaking a review of all accounts existing as on June 30th and December 31st every year, but which were opened at least six months prior to these two review dates. For this review only those accounts will be considered which are active (some trading activity in the last 3 months)

- **Periodicity of review of policy**

The policy should be review once every six months or earlier in case of change/modification/addition of AML directives by SEBI.

- **Designated Director**

In addition to the existing requirement of designation of a Principal Officer, MSPL has also designated Mr. Jayprakash Gupta as the 'Designated Director'. He is designated by MSPL to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules.

In terms of Section 13 (2) of the PMLA, the Director, FIU – IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the intermediary to comply with any of its AML/CFT obligations.

The name designation and address of the Designated Director, Mr. Jayprakash Gupta has been intimated to the Office of the Director, FIU – IND



- **Designated Principal Officer**

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

Ms. Ronita Gupta  
Moneylicious Securities Private Limited  
24A&B, Adhyaru Industrial Estate, Sun Mill Compound  
Lower Parel, Mumbai – 400013  
Tel: 022- 43116618  
Mob: 9833551418  
Email: [ronita.gupta@moneylicious.in](mailto:ronita.gupta@moneylicious.in)