

Anti Money Laundering Policy

The Government of India has serious concerns over money laundering activities which are not only illegal but anti-national as well. As a market participant it is evident that strict and vigilant tracking of all transactions of suspicious nature required.

Accordingly the Company has laid down following policy guidelines:

Principal Officer:

Mr. RAVI RAJ JAIN is appointed as the Principal Officer. He will be responsible for implementation of internal controls & procedures for identifying and reporting any suspicious transaction or activity to the concerned authorities. Principle officer has the right of timely access to customer identification data, other CDD information and is able to report the same to senior management or the board of directors.

Purpose & Scope:

As a Financial Market Intermediary (which includes a stock-broker, sub-broker) we need to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Accordingly all the back office and trading staff is instructed is instructed to observe the following safeguards:

- 1 No Cash transactions for trading in securities shall be allowed from any client in the normal course of business.
- 2 Maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. Such transactions include:
 - 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 where such series of transactions take place within one calendar month.
 - All suspicious transactions whether or not made in cash.
- 3 Frequent off Market transfers from one BO account to another shall be scrutinized and asked for. In absence of valid reason case or found suspicious, it shall be brought to the notice of Principal Officer.
- 4 Trading beyond ones declared income: The turnover of the clients should be according to their declared means of income. Any abnormal increase in client's turnover shall be reported to Principal Officer. The Back Office staff should take due care in updating the clients' financial details and shall periodically review the same.

Policies & Procedures:

A) Client identification procedure:

The 'Know your Client' (KYC) Policy: -

a) While establishing the intermediary – client relationship

- No account shall be opened unless all the KYC Norms as prescribed from time to time by the SEBI / Exchanges are duly complied with, all the information as required to be filled in the KYC form (including financial information, occupation details and employment details) is actually filled in and the documentary evidence in support of the same is made available by the client. Moreover all the supporting documents should be verified with originals and client should sign the KYC & MCA in presence of our own staff and the client should be introduced by an existing clients or the known reference.
- The information provided by the client should be checked through independent source namely.
- Pan No must be verified from Income Tax We Site
- Address must be verified by sending Welcome Letter / Qtly Statement of Account, and in case any document returned undelivered the client should be asked to provide his new address proof before doing any further transaction.
- We must exercise additional due diligence in case of the **Clients of Special Category** which include but not limited to :-
 - i. Non resident clients
 - ii. High networth clients (i.e the clients having networth exceeding 20 Lakhs and doing the intra day trading volume of more than 2 Crore and daily delivery volume more than Rs 20 Lakhs)
 - iii. Trust, Charities, NGOs and organizations receiving donations
 - iv. Companies having close family shareholdings or beneficial ownership
 - v. Politically exposed persons (PEP) of foreign origin
 - vi. Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
 - vii. Companies offering foreign exchange offerings
 - viii. 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 centres, tax havens, countries where fraud is highly prevalent.
 - ix. Non face to face clients

- x. Clients with dubious reputation as per public information available etc.
 - xi. Such Other persons who as per our independent judgment may be classified as CSC.
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- In case we have reasons to believe that any of our existing / potential customer is a politically exposed person (PEP) we must exercise due diligence, to ascertain whether the customer is a politically exposed person (PEP), which would include seeking additional information from clients and accessing publicly available information etc.
 - The dealing staff must obtain senior management's prior approval for establishing business relationships with Politically Exposed Persons. In case an existing customer is subsequently found to be, or subsequently becomes a PEP, dealing staff must obtain senior management's approval to continue the business relationship.
 - We must take reasonable measures to verify source of funds of clients identified as PEP.
 - The client should be identified by using reliable sources including documents / information and we should obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
 - The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in respect of statutory and regulatory requirement in future that due diligence was observed by the intermediary in compliance with the Guidelines. Each original document should be seen prior to acceptance of a copy.
 - Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority.
 - While accepting a client the underlying objective should be to follow the requirements enshrined in the PML Act, 2002 SEBI Act, 1992 and Regulations, directives and circulars issued there under so that we are aware of the clients on whose behalf we are dealing.

b) While carrying out transactions for the client

- RMS department should monitor the trading activity of the client and exercise due diligence to ensure that the trading activity of the client is not disproportionate to the financial status and the track record of the client.
- Payments department should ensure that payment received from the client is being received in time and through the bank account the details of which are given by the client in KYC form and the payment through cash / bearer demand drafts should not be entertained.
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B) Policy for acceptance of clients:

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. To ensure this we must insist the client to fill up all the necessary details in the KYC form in our presence and obtain all the necessary documentary evidence in support of the information filled in KYC. We must verify all the documents submitted in support of information filled in the KYC form with the originals and in-person verification should be done by our own staff. Moreover new client should either be introduced by an existing customer or by the senior official of the company. In case we have any doubt that in-complete / fictitious information is submitted by the client, we must ask for such additional information so as to satisfy ourselves about the genuineness of the client and the information of the client before accepting his registration. We have maintained a updated list of individuals / entities which are subject to various sanctions / measures pursuant to United Nations Security Council Resolutions (UNSCR), available from the URL <http://www.un.org/sc/committees/1267/consolist.shtml> and verify the names of customers in such list of individuals and entities subject to various sanction measures of UN Security council Committee, other publicly available information and complying with Government order UAPA.

- b) Factors of risk perception of the client :-

Particulars	Risk Perception
Factors of Risk Perception having regard to :	
Client` s Location (Registered / Correspondence/ other address)	
- Face to Face clients within city	Low Risk
- Face to Face clients of other than city	Low Risk
- Client Introduced by existing Face to Face Clients	Low Risk
- Client Introduced by other Existing Clients	Medium Risk
- Direct Clients of city	Medium Risk
- Direct Clients of other than city	High Risk
- Non resident Clients	High Risk
Nature of Business Activity, Trading Turnover etc	
-Retail clients (average daily turnover < Rs 10 Lakhs or net settlement obligation < Rs 2 Lakhs)	Low Risk
- Retail clients (average daily turnover < Rs 25 Lakhs or net settlement obligation < Rs 5 Lakhs)	Medium Risk
- HNI Clients (average daily turnover > Rs 25 Lakhs or net settlement obligation > Rs 5 Lakhs)	High Risk
Manner of Making Payment	
- Regular payment through A/c payee cheque from the Bank A/c already mapped with us	Low Risk
- Payment through A/c payee cheque from the Bank A/c other than one already mapped with us	Medium Risk
- Payment through Banker`s Cheque / Demand Draft / Cash	High Risk
Client of Special Categories as defined under Para A (a) of these Guidelines	Very High Risk

- c) Ensure that no account is opened where we unable to apply appropriate clients due diligence measures / KYC policies. This shall be applicable in cases where it is not possible to ascertain the identity of the client or information provided by the client is suspected to be non genuine or perceived non co-operation of the client in providing full and complete information. We should not continue to do business with such a person and file a suspicious activity report. We should also evaluate whether there is suspicious trading in the account and whether there is a need to freeze or close the account.

C) Policy for *Recruitment of personnel*

The HR Department is instructed to cross check all the references and should take adequate safeguards to establish the authenticity and genuineness of the persons before recruiting. The department should obtain the following documents:

- 1 Photographs
- 2 Proof of address
- 3 Identity proof
- 4 Proof of Educational Qualification
- 5 References

D) *Retention of records*

Records pertaining to active clients and staff details collected for recruitment shall be kept safely. Further company has a policy to retain all records relating to PMLA provision for at least a period of 10 years. We have also retained the statutory and regulatory compliance relating records and co-operate with law enforcement authorities with timely disclosure of information.

E) *Information to be maintained*

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

- I. Client Registration Forms
- II. Contract Note
- III. the nature of the transactions;
- IV. the amount of the transaction and the currency in which it denominated;
- V. the date on which the transaction was conducted; and
- VI. the parties to the transaction.

F) *Employees' Training*

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

G) Investors Education

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

H) Reporting to FIU

As per our observations if any transaction of suspicious nature is identified it must be brought to the notice of the Principal Officer who will submit Suspicious Transaction Reporting (STR) to the FIU if required.

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

For Smart Equity Brokers Pvt. Ltd.

Director

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