

## Anti Money Laundering Policy

### 1. Background

1.1 The Prevention of Money Laundering Act, 2002 has come into effect from 1<sup>st</sup> July 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1<sup>st</sup> July 2005 by the Department of Review, Ministry of Finance, Government of India.

1.2 Securities and Exchange Board of India have issued a Circular No. ISD / QR / RR / AML / I / 06 on January 18, 2006 to all intermediaries registered with SEBI u/s 12 of the SEBI Act providing Guidelines on Anti money Laundering Standards (Guidelines)

1.3 **M/s. Saravana Stocks Pvt. Limited** being registered as Stock Brokers shall have to maintain a record of all the transaction; the nature & value of which has been prescribed under the Prevention of Money Laundering Act. Such transactions include:

- All cash transactions of the value more than Rs. 10 lacs or its equivalent in foreign currency
- All series of cash transactions integrally connected to each other which have been valued below Rs. 10 lacs 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 d-mat account, security account maintained by us.
- For the purpose of suspicious transactions reporting, apart from transactions integrally connected, transactions remotely connected or related are also to be considered.

### 2. Policy Statement

**M/s. Saravana Stocks Pvt. Limited** is fully committed to combat any effort of laundering money earned through drug trafficking, terrorism and any other means of organized and serious crimes by any individual or entity. Towards this, **M/s. Saravana Stocks Pvt. Limited** has put in place all such processes and procedures of internal control aimed at preventing and impeding any attempt of money laundering and terrorist financing using the services offered by the **M/s. Saravana Stocks Pvt. Limited**.

It is also ensured that the directives in this policy is understood by all it's staff members. The policy

is also regularly reviewed and the person reviewing is different from the person who has framed this policy.

### **3. Salient Provisions of the Prevention of Money Laundering Act, 2002;**

#### **Sec 3. Offence of money laundering:**

Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering.

#### **Sec 4. Punishment for money laundering**

Whoever commits the offence of money-laundering shall be punishable with rigorous imprisonment for a term which shall not be less than three years but which may extend to seven years and shall also be liable to fine which may extend to five lakh rupees:

Provided that where the proceeds of crime involved in money-laundering relates to any offence specified under paragraph 2 of Part A of the Schedule, the provisions of this section shall have effect as if for the words "which may extend to seven years", the words "which may extend to ten years" had been substituted.

### **Sec 12. Banking companies, financial institutions and intermediaries to maintain records**

(1) Every banking company, financial institution and **intermediary** shall-

(a) Maintain a record of all transactions, the nature and value of which may be prescribed, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month;

(b) Furnish information of transactions referred to in clause (a) to the Director within such time as may be prescribed;

(c) Verify and maintain the records of the identity of all its clients, in such manner as may be prescribed:

Provided that where the principal officer of a banking company or financial institution or intermediary, as the case may be, has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value so as to defeat the provisions of this section, such officer shall furnish information in respect of such

transactions to the Director within the prescribed time

(2) The records referred to in sub-section (1) shall be maintained for a period of ten years from the date of cessation of the transactions between the clients and the banking company or financial institution or intermediary, as the case maybe.

**3. Salient Provisions of the Rules (2005) framed under Prevention of Money Laundering Act, 2002;**

- **"Suspicious transaction"** means a transaction whether or not made in cash which, to a person acting in good faith -

(a) Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or

(b) Appears to be made in circumstances of unusual or unjustified complexity; or

(c) Appears to have no economic rationale or bonafide purpose;

(h) "Transaction" includes deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means.

- **Maintenance of records of transactions (nature and value). -**

(1) Every banking company or financial institution or intermediary, as the case may be, shall maintain a record of, -

(A) All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency,

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

(C) 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;

(D) All suspicious transactions whether or not made in cash and by way of:

(i) Deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of:

(a) Cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any

other instrument of payment of money including electronic receipts or credits and electronic payments or debits, or

(b) Travellers cheques, or

(c) Transfer from one account within the same banking company, financial institution and intermediary, as the case maybe, including from or to Nostro and Vostro accounts, or

(d) any other mode in whatsoever name it is referred to;

(ii) Credits or debits into or from any non-monetary accounts such as d-mat account, security account in any currency maintained by the banking company, financial institution and intermediary, as the case may be;

(iii) Money transfer or remittances in favour of own clients or non-clients from India or abroad and to third party beneficiaries in India or abroad including transactions on its own account in any currency by any of the following: -

(a) Payment orders, or

(b) Cashiers cheques, or

(c) Demand drafts, or

(d) Telegraphic or wire transfers or electronic remittances or transfers, or

(e) Internet transfers, or

(f) Automated Gearing House remittances, or

(g) Lock box driven transfers or remittances, or

(h) Remittances for credit or loading to electronic cards, or

(i) Any other mode of money transfer by whatsoever name it is called;

(iv) Loans and advances including credit or loan substitutes, investments and contingent liability by way of:

(a) Subscription to debt instruments such as commercial paper, certificate of deposits, preferential shares, debentures, securities participation, inter bank participation or any other investments in securities or the like in whatever form and name it is referred to, or

(b) Purchase and negotiation of bills, cheques and other instruments, or

(c) Foreign exchange contracts, currency, interest rate and commodity and any other derivative instrument in whatsoever name it is called, or,

(d) Letters of credit, standby letters of credit, guarantees, comfort letters, solvency certificates and any other instrument for settlement and/or credit support;

(v) Collection services in any currency by way of collection of bills, cheques, instruments or any other mode of collection in whatsoever name it is referred to.

- Records containing Information.

The records referred to in rule 3 shall contain the following information:-

(a) The nature of the transactions;

(b) The amount of the transaction and the currency in which it was denominated;

(c) The date on which the transaction was conducted; and

(d) The panics to the transaction.

- Procedure and manner of maintaining Information

(1) Every banking company, financial institution and intermediary, as the case may be shall maintain information in respect of transactions with its client referred to in rule 3 in hard and soft copies in accordance with the procedure and manner as may be specified by the Reserve Bank of India or the Securities and Exchange Board of India, as the case maybe, from time to time.

(2) Every banking company, financial institution and intermediary, shall evolve an internal mechanism for maintaining such information in such form and at such intervals as maybe specified by the Reserve Bank of India, or the Securities and Exchange Board of India, as the case may be, from time to time.

(3) It shall be the duty of every banking company, financial institution and intermediary, as the case may be, to observe the procedure and the manner of maintaining information as specified by the Reserve Bank of India or the Securities and Exchange Board of India, as the case maybe, under sub-rule (1).

- Retention of records

The records referred to in rule 3 shall be maintained for a period of ten years from the date of cessation of the transactions between the client and the banking company, financial institution or intermediary, as the case maybe

- Procedure and manner of furnishing information.

(1) Every banking company, financial institution and intermediary, as the case may be, shall communicate the name, designation and address of the Principal Officer to the Director.

(2) The Principal Officer shall furnish the information referred to in rule 3 to the Director on the basis of information available with the banking company, financial institution and intermediary, as the case may be. A copy of such information shall be retained by the Principal Officer for the purposes of official record,

(3) Every banking company, financial institution and intermediary may evolve an internal mechanism for furnishing information referred to in rule 3 in such form and at such intervals as may be directed by the Reserve Bank of India or the Securities and Exchange Board of India, as the case maybe.

(4) It shall be the duty of every banking company, financial institution and intermediary to observe the procedure and the manner of furnishing information referred to in rule 3 as specified by the Reserve Bank of India and the Securities and Exchange Board of India under sub-rule (3), as the case maybe.

- **Furnishing of Information to the Director.**

The Principal Officer of a banking company, the financial institution and intermediary, as the case may be, shall furnish the information in respect of transactions referred to in rule 3 every month to the Director by the 7th day of the succeeding month other than transactions referred to in clauses (C) and (D) of sub-rule (1) of rule 3:

Provided that information in respect of transactions referred to in clauses (C) and (D) of sub-rule (1) of rule 3 shall be promptly furnished in writing or by way of fax or electronic mail to the Director not later than three working days from the date of occurrence of such transactions.

- **Verification of the records of the identity of clients.-**

(1) Every banking company, financial institution and intermediary, as the case may be, shall, at the time of opening an account or executing any transaction with it, verify and maintain the record of identity and current address or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status;

Provided that where it is not possible to verify the identity of the client at the time of opening an account or executing any transaction, the banking company, financial institution and intermediary, as the case may be, shall verify the identity of the client within a reasonable time after the account has been

opened or the transaction has been executed.

(2) Where the client is an **individual**, he shall for the purpose of sub-rule (1) submit to the banking company or the financial institution or the intermediary, as the case may be, one certified copy of an officially valid document containing details of his permanent address or addresses, current address or addresses, and one copy of his recent photograph and such other documents including in respect of the nature of business and financial status of the client as maybe required by the banking company or the financial institution or the intermediary, as the case maybe,

(3) Where the client is a **company**, it shall for the purposes of sub-rule (1) submit to the banking company or financial institution or intermediary, as the case may be, three certified copies of the following documents:

(i) Certificate of incorporation;

(ii) Memorandum and Articles of Association;

(iii) a resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; and

(iv) An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.

(4) Where the client is a **partnership** firm, it shall for the purposes of sub-rule (1) submit to the banking company, or the financial institution, or the intermediary three certified copies of the following documents:

(i) Registration certificate;

(ii) partnership deed; and

(iii) An officially valid document in respect of the person holding an attorney to transact on its behalf.

(5) Where the client is a **trust**, it shall, for the purposes of sub-rule (1) submit to the banking company, or the financial institution, or the intermediary three certified copies of the following documents:

(i) Registration certificate;

(ii) Trust deed; and

(iii) an officially valid document in respect of the person holding an attorney to transact on its behalf.

(6) Where the client is an **unincorporated association** or a body of individuals, it shall submit to the banking company, or the financial institution or the intermediary three copies of the following documents:

(i) Resolution of the managing body of such association or body of individuals;

(ii) Power of attorney granted to him to transact on its behalf;

(iii) An officially valid document in respect of the person holding an attorney to transact on its behalf;

And

(iv) Such information as may be required by the banking company or the financial institution or the Intermediary to collectively establish the legal existence of such an association or body of individuals.

(7) Every banking company, financial institution and intermediary, as the case maybe, shall formulate and implement a client identification programme which shall incorporate the requirements of the foregoing sub-rules of this rule, and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients. A copy of the client identification programme shall be forwarded to the Director.

- **Maintenance of the records of the identity of clients.**

(1) Every banking company or financial institution or intermediary, as the case may be, shall **maintain** the records of the identity of its clients.

(2) The records of the identity of clients shall be maintained in hard and soft copies in a manner as may be specified by the Reserve Bank of India from time to time.

(3) The records of the identity of clients shall be maintained for a period of ten years from the date of cessation of the transactions between the client and the banking company or financial institution or the intermediary, as the case maybe.

#### **4. Customer Due Diligence Process of:**

##### **a. Policy for acceptance of clients**

- **M/s. Saravana Stocks Pvt. Limited** shall not accept any clients who are unable to produce satisfactory documents establishing their identity, as required under the KYC checklist framed by **M/s. Saravana Stocks Pvt. Limited**, as modified from time to time.
- No account shall be allowed to be opened in a fictitious / benami name or on an anonymous basis.



- Wherever any employee of **M/s. Saravana Stocks Pvt. Limited** dealing with the Client or a prospective Client has a reason to believe that the Client should be categorized as 'high risk' client and therefore needs a higher degree of due diligence and regular update of KYC profile, he shall bring the same to the notice of the 'Principal Officer' as defined in this document.
- If the Principal Officer is of the view that it is not possible to ascertain the identity of the client, information provided to the Company by the Client is suspected to be non genuine or there is perceived non cooperation of the client in providing full & complete information, no business shall be continued with such a client and a suspicious activity report filed with the Office of the Director / Designated Authority.
- With respect to the Accounts being opened under a Power of Attorney, due diligence of the donor as well as donee would be carried out.
- Wherever there is a suspicion that the identity of the client resembles identity of any person having known criminal background or a person banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency, such case should be brought to the notice of the Principal Officer immediately, before opening an account with the Company.
- Relationship Manager and Customer Service Manager are required to maintain continuous familiarity and follow up where any inconsistencies are noticed in the information provided with respect to any account being opened.

**b. Client identification procedure**

- all such documents as are specified in the KYC checklist for respective categories of customers and as annexed with this Policy Note must be received from the Client at the time of opening of account.
- If the documentation produced by the prospective client is not in conformity with the requirements specified from time to time or if there are any inconsistencies noticed therein, no account shall be opened and matter reported to the Principal Officer immediately
- As far as possible using reasonable measures, the employee dealing with the Client should ensure that the person opening the account himself is the beneficial owner or there exists sufficient documentation to corroborate his transacting on behalf of the other person, in which case appropriate due diligence would be done on the beneficial owner as well.
- Wherever possible reasonably, efforts will be made by the employee dealing with the prospective Client to verify the details provided to him, using third party sources.

- On an ongoing basis, appropriate due diligence and scrutiny shall be performed on the account to ensure that the transactions being conducted are consistent with the Company/s knowledge of the customer, its business & risk profile, taking into account, where necessary, the customer's sources of funds.
- Following clients are considered to the Clients of Special Category (CSC)

Non resident clients, High Net worth Individuals, Trusts, Charities, NGOs and organizations receiving donations, Companies having close family shareholding or beneficial ownership, Politically exposed persons (PEPs) of foreign origin, Current / Former Head of State, Current / Former Senior Hgfi *Profile* politicians and Connected persons (immediate family, close advisors and companies in which such Individuals have interest or significant influence) Companies offering foreign exchange offerings.

Clients in high risk countries where effective money laundering controls is suspect, Non face to face clients, Clients with dubious reputation as per public information available etc.

Enhanced care would need to be taken in the due diligence process of such high-risk clients.

- c. We should accept the clients based on the risk they are likely 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, we need to classify the clients as Low risk, medium risk and high risk clients. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process. That is, for high risk clients we have to take utmost care 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

**Category A** clients are those pose low or nil risk. They are good corporates/HNIs who have a respectable social and finance standing. These are the clients who make payments 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 SSPL.

**Category C** clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

We have to be careful while monitoring the transactions of B & C category clients.

Apart from this we need to exercise extra caution while monitoring the transactions of NRI/NRE/ PIO and foreign clients, especially when the payment is being made in foreign currency.

Any change in the risk profile of the client/mandateholder, has to be ascertained by the concerned branch officials, and reported to compliance officer immediately

d. Transaction Monitoring, record keeping and reporting: Suspicious Transactions Reporting (STR)

- As a policy, **M/s. Saravana Stocks Pvt. Limited** shall not accept cash from any clients.
- The Principal Officer, by himself or through the Internal Audit mechanism, arrange to review selection of transactions undertaken by clients so as to check if there are any suspicious transactions
- Record of all transactions and KYC documents collected from the Clients shall be maintained at least for such period as prescribed under the relevant Regulations. Attempt shall be made to maintain electronic scanned copies of client documentation.
- Any transactions needing special attention such as complex transactions, unusually large transactions / patterns which appear to have no economic rationale etc. shall be brought to the notice of the Principal Officer.
- Transactions in the nature as below are examples of suspicious transactions:

Clients whose identity verification seems difficult or client appears not to cooperate

Portfolio Management services for clients where source of funds is not clear or not in keeping with clients apparent standing / business activity, Clients in high risk jurisdictions or clients introduced by intermediaries / referral sources based in high risk jurisdictions

Substantial increase in business without apparent cause

Requests for transfer of investment proceeds to apparently unrelated third parties, Unusual transactions by CSCs and business undertaken by shell corporations, offshore banks / financial services, business reported in the nature of export-import of small items etc

- any such suspicious transaction should be reported immediately to the Money Laundering Control Officer (Principal Officer) mentioned hereunder and his advice taken

#### 5. Principal Officer / Money Laundering Control Officer/s

- **Ms.R.Sudha** would be the designated Officer for **M/s. Saravana Stocks Pvt. Limited** registered as Stock Broker with SEBI.

The Principal Officers mentioned above are responsible for the following:

- Communicating the Policy on Prevention of Money Laundering to the employees of respective companies
- Receiving reports from employees for any suspicious dealings noticed by them
- Clarifying any queries from employees on this matter
- Ensuring that the employees dealing with the clients / prospective clients are aware of the KYC guidelines of the Company and are advised to follow the same strictly
- Conduct a sample test of client dealings, by themselves or through an internal audit process, to satisfy them that no suspicious activities exist
- Report any suspicious transactions to appropriate authorities

#### 6. Hiring of Employees and Employees training

There shall be an undergoing employee training programme to train employees on AML and CFT procedures with specific focuses on front line staff, back office staff, compliance staff, risk management staff and staff dealing with new clients.

#### 7. Investors Education

Implementation of AML measures sometimes require personal information from clients such as documents evidencing source of funds, income tax returns, bank records etc which may be questioned by them. Specific literature/pamphlets shall be prepared to educate clients about the objectives of AML programme.

## Annexure 1

### KYC Checklist: Domestic

#### INDIVIDUAL

1. Self attested copy of **any one (1) valid** document

1. Driving license
2. Passport
3. Voter's Identity card
4. Ration Card
5. Bank statement for the Last 6 months

2. Self attested copy of PAN card

3. Copy of MAPINID

4. One (1) photograph signed across front

5. **INCASE OF NOMINEE:**

One (1) photograph each of Nominee (& Guardian if nominee is minor)

#### CORPORATE

1. Proof of Identity of authorized directors / signatories: Copy of **any one (1)**

- a. Driving license
- b. Passport
- c. Voter's Identity card
- d. Ration Card

2. Details of authorized/ directors' signatories:

- a. Name:

- b. Address:
  - c. Telephone No.
  - d. Date of birth:
3. One (1) certified true copy of MOA & AA (ALONG WITH FORM 32)
  4. Board resolution on the Company's letterhead.
  5. Copy of PAN Card & Company's address proof.
  6. Latest Income Tax Return of Company
  7. Copy of Annual reports of the company for the last two financial years
  6. Copy Of MAPIN Card of Company and Authorized Directors
  8. Copy of share holding pattern
  9. Valid Bank A/c proof in the name of the company (attested by the bank)
  10. One (1) photograph **each** of authorized directors/ signatories signed across front
  11. Form No.32 with ROC receipt for appointment of new directors.
  12. Copy of the resolution permitting trade in Derivative statements.

Similarly, we have a defined set of documentation requirement for other categories of investors such as HUF, Partnerships etc.