

# BHARAT BHUSHAN EQUITY TRADERS LTD

Policy Created by	:	Operational / Risk Management Staff
Policy Reviewed by	:	Compliance Officer & Principal Officer
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## PMLA Policy

Every Staff Member of the Company should aware of provisions of the Prevention of Money Laundering Act, 2002 (PMLA). The obligations of every Staff Member of the Company under PMLA to the extent applicable to Stock Broking/Depository Operations, in order to implement the provisions of the same as envisaged above Act, in the following specific parameters which are related to the overall ‘Client Due Diligence Process’:

- I. Policy for Acceptance of Clients
- II. Procedure for Identifying the Clients
- III. Transaction Monitoring and Reporting especially Suspicious Transactions Reporting

## Customer Due Diligence

The customer due diligence (“CDD”) measures comprises the following:

- a) Obtaining sufficient information in order to identify persons who beneficially own or control securities account. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/ or persons on whose behalf a transaction is being conducted.
- b) Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the customer and/ or the person on whose behalf a transaction is being conducted;
- c) Verify the identity of the beneficial owner of the customer and/ or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (b); and

- d) Conduct on-going due diligence and scrutiny, i.e. perform scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with client's financial parameter and risk profiling.
- e) Periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.
- f) For Existing Clients Processes Could Include
  - Review Of KYC Details Of All The Existing Active Clients In Context To The PMLA 2002 Requirements
  - In Case Of Non Individual's Additional Information About The Directors, Partners, Dominant Promoters, Major Shareholders To Be Obtained

#### I. Policy for Acceptance of Client:

The Company will have to ensure that elaborate standard procedures are in place on the following aspects of Client Relationships.

- i. No account is opened in anonymous or fictitious/benami name(s).
- ii. To insist the client to fill up all the necessary details in the KYC form 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. In case we have doubt that in-complete/ fictitious information is submitted by the client, we must ask for such additional information so as to satisfy our self about the genuineness of the client and the information of the client before accepting his registration.
- iii. We should accept the clients 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. 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.

#### High Risk Clients:

- Trust accounts.

- Clients who are refusing to provide their financial details / source of income.
- Clients against whom any action has been taken by SEBI/Stock Exchange or any other regulatory authority.
- Corporate/Partnership Firms/any other entities with track record of less than 1 year.
- NRI Clients.
- Corporate clients not disclosing the identity, address of Directors, not giving financial statements.

Medium Risk Clients:

- Clients who have not given the nature of business or nature of business are lending, investment, finance, credit etc.
- Clients who are trading in F & O Segment

Low Risk Clients:

- All clients not meeting the above criteria are low risk clients.

- iv. The circumstances under which the client is permitted to act on behalf of another person / entity should be clearly laid down. Adequate verification of a person's authority to act on behalf of the client should also be carried out.
- v. 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, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.
- vi. The CDD process should necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

Risk Based Approach

- vii. Collecting information and documents in respect of different categories of clients depending on perceived risk and keeping in mind the requirements of the Prevention of Money Laundering Act (PML Act), 2002 and guidelines issued from time to time. The Company may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive „due diligence“ for higher risk clients, especially those for whom the sources of funds are not clear. Examples of clients requiring higher due diligence/clients of special category (CSC) may include:
  - o Non-resident clients
  - o High net worth clients
  - o Trust, Charities, NGOs and organizations receiving donations
- viii. Clients of Special Category (CSC):
  - o Non-resident clients
  - o High net worth clients
  - o Trust, Charities, NGOs and organizations receiving donations

- Companies having close family shareholdings or beneficial ownership
- 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.
- 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)
- Companies offering foreign exchange offerings
- 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,
- Non face to face clients,
- Clients with dubious reputation as per public information available etc.

The above mentioned list is only illustrative and we should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

#### Risk Assessment

- ix. To carry out risk assessment to identify, assess and take effective measures to mitigate any money laundering and terrorist financing risk with respect to clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions (these can be accessed at [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>)

#### Reason for Non-acceptance

- x. The Company must refuse to open an account where the prospective customer does not co-operate with the Company in obtaining these details or where the Company is not sure about the reliability of the data furnished by the prospective customer.

#### Notice to Client

- xi. If the Company is unable to apply appropriate KYC measures due to non-furnishing of information and/or non-cooperation by the client, the Company may consider

closing the account or terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions need to be taken at a reasonably senior level after consulting the Principal Officer.

## II. Procedure for Identifying the Clients:

At the time of opening an account or executing any transaction with it, the Company will 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 as under:

### For Individual Client

List of documents admissible as Proof of Identity	
Proof of Identity (POI)	<ul style="list-style-type: none"> <li>• Unique Identification Number (UID) (Aadhaar)/ Passport/ Voter ID card/ Driving license.</li> <li>• PAN card with photograph.</li> <li>• Identity card/ document with applicant's Photo, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/Debit cards issued by Banks.</li> </ul>
List of documents admissible as Proof of Address: (*Documents having an expiry date should be valid on the date of submission.)	

Proof of Address (POA)	<ul style="list-style-type: none"> <li>• Passport/ Voters Identity Card/ Ration Card/ Registered Lease or Sale Agreement of Residence/ Driving License/Flat Maintenance bill/ Insurance Copy.</li> <li>• Utility bills like Telephone Bill (only land line), Electricity bill or Gas bill - Not more than 3 months old.</li> <li>• Bank Account Statement/Passbook -Not more than 3 months old.</li> <li>• Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.</li> <li>• Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-Operative Bank / Multinational Foreign Banks/Gazetted Officer/Notary Public/ Elected representatives to the Legislative Assembly/ Parliament/ Documents issued by any Govt. or Statutory Authority.</li> <li>• Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.</li> <li>• For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or apostiled or consularised) that gives the registered address should be taken.</li> <li>• The proof of address in the name of the spouse may be accepted.</li> </ul>
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In case of Non-Individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:

Types of Entity	Documentary requirements
Corporate	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year).</li> <li>• Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day operations.</li> <li>• Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly.</li> <li>• Copies of the Memorandum and Articles of Association and certificate of incorporation.</li> <li>• Copy of the Board Resolution for investment in securities market.</li> <li>• Authorised signatories list with specimen signatures.</li> </ul>

Partnership firm	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Certificate of registration (for registered partnership firms only).</li> <li>• Copy of partnership deed.</li> <li>• Authorised signatories list with specimen signatures.</li> <li>• Photograph, POI, POA, PAN of Partners.</li> </ul>
Trust	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Certificate of registration (for registered trust only).</li> <li>• Copy of Trust deed.</li> <li>• List of trustees certified by managing trustees/CA.</li> <li>• Photograph, POI, POA, PAN of Trustees.</li> </ul>
HUF	<ul style="list-style-type: none"> <li>• PAN of HUF.</li> <li>• Deed of declaration of HUF/ List of coparceners.</li> <li>• Bank pass-book/bank statement in the name of HUF.</li> <li>• Photograph, POI, POA, PAN of Karta.</li> </ul>
Unincorporated association or a body of individuals	<ul style="list-style-type: none"> <li>• Proof of Existence/Constitution document.</li> <li>• Resolution of the managing body &amp; Power of Attorney granted to transact business on its behalf.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
Banks/Institutional Investors	<ul style="list-style-type: none"> <li>• Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
Foreign Institutional Investors (FII)	<ul style="list-style-type: none"> <li>• Copy of SEBI registration certificate.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
Army/ Government Bodies	<ul style="list-style-type: none"> <li>• Self-certification on letterhead.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
Registered Society	<ul style="list-style-type: none"> <li>• Copy of Registration Certificate under Societies Registration Act</li> <li>• List of Managing Committee members.</li> <li>• Committee resolution for persons authorised to act as authorised signatories with specimen signatures.</li> <li>• True copy of Society Rules and Bye Laws certified by the Chairman/Secretary</li> </ul>

- If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our Company will not open the new account.
- All PAN Cards received will be verified form the Income Tax/ NSDL website before the Account is opened.

- The identity of client will be cross-checked with the publicly available information over internet, as well as through links [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml), <http://www.un.org/sc/committees/1988/list.shtml>, [www.watchoutinvestors.com](http://www.watchoutinvestors.com) and [www.worldcheck.com](http://www.worldcheck.com) to ensure that the proposed constituent has not been debarred / restrained in any manner.
- The Company will maintain records of all identification information for five years after the account has been closed.
  - In The Case Of Broking Transactions, Care Should Be Taken To Ensure That The Orders Are Placed By The Client And Not By Others On Behalf Of The Client. If The Client Proposes To Authorize Another Person To Place Orders On His Behalf, A Properly Executed Irrevocable Power Of Attorney Should Be Obtained And The Person Who Will Be Placing Orders Shall Also Be Identified Using The Above Procedure. Ordinary Letters Of Authority Shall Not Be Accepted.
- After Opening Broking / DP Accounts, a Letter Of Thanks Should Be Sent By emails/ Registered Post/Speed Post/Courier, At The Recorded Address. Transactions in Secondary Market should Not Be Allowed if the communication Comes Undelivered. The Undelivered Envelope Should Be Retained With the KYC Papers for Further Inquiries, If Necessary

#### Reliance on third party for carrying out Client Due Diligence

The company may rely on third party (i.e. our Authorized Persons and/or Sub-brokers) 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.

The reliance on third party, as aforesaid, 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.

#### Record Keeping

- i. To ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there under, PMLA, 2002 as well as other relevant legislation, rules, Regulations, Exchange Bye – laws and Circulars.
- ii. To maintain such records as are sufficient to permit reconstruction of individual transactions.
- iii. To retain the following information for the accounts of customers 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 identity of the person undertaking the transaction;
  - the form of instruction and authority;
- iv. We should put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:
  - (a) all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
  - (b) 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;
  - (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 as mentioned in the Rules.

#### Retention of Records

- a) We must maintain and preserve such records and information in a manner as and when required by the competent authorities and such record have to be maintained and preserved for a period of 05 years from the date of cessation of the transactions between the client and intermediary.
- b) Records evidencing the identity of 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.", i.e. the date of termination of an account or business relationship between the client and intermediary.
- c) To maintain and preserve the record of documents evidencing the identity of 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.
- d) We shall maintain and preserve the record of information related to transactions, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the intermediary.

### III. Transaction Monitoring and Reporting especially Suspicious Transactions Reporting

Regular monitoring of transactions is vital for ensuring effectiveness of the Anti-Money Laundering procedures. Further, we pay special attention to all complex, unusually large

transactions/ patterns which appear to have no economic purpose. We 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 also examine carefully.

- Client Accounts To Be Monitored At Least Once In A Calendar Quarter And Any Exceptions Need To Be Reported To The Management And Compliance Department. If Any Transaction Appears To Be Suspicious, It Is To Be Reported To The Compliance Department Immediately.

We shall ensure the record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and those transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND.

#### Suspicious Transaction Monitoring & Reporting

Every staff member of the Company will report (if any) suspicious transactions prescribed in PMLA to the Principal Officer of the Company. Broad categories of reason for suspicion and examples of suspicious transactions for an intermediary are indicated as under:

- Identity of Client
  - False identification documents;
  - Identification documents which could not be verified within reasonable time;
  - Non-face to face client;
  - Doubt over the real beneficiary of the account;
  - Accounts opened with names very close to other established business entities;
- Suspicious Background
  - Suspicious background or links with known criminals;
- Multiple Accounts
  - Large number of accounts having a common authorized signatory with no rationale;
  - Unexplained trading activity between multiple accounts with no rationale;
- Activity in Accounts
  - Use of different accounts by client alternatively;
  - Sudden activity in dormant accounts;
  - Activity inconsistent with what would be expected from declared business; Account used for circular trading;
  - Substantial Increase In Activity Without Any Apparent Cause

- Nature of Transactions
  - No economic rationale or bonafide purpose;
  - Sources of funds are doubtful;
  - Appears to be case of insider trading;
  - Investment proceeds transferred to a third party;
  - Transactions reflect likely market manipulations
  - Suspicious off market transactions;
  
- Value of Transactions
  - Large sums being transferred from overseas for making payments;
  - Inconsistency in the payment pattern by client;

Any suspicious transaction should be immediately notified to Principal Officer. 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. 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.

Further, the clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspected or which do not or insufficiently apply FATF standards, as „CSC“, such clients shall also be subject to appropriate counter measures.

#### 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 in order 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.

#### Freezing of Assets/ Account & Denial for Opening of Account

Continuously scanning of all existing accounts to ensure that no account is held by or linked or to be opened to any of the entities or individuals included in the list approved by the Security Council committee established pursuant to various United Nation Security Council Resolution (UNSCRs). Full details of account bearing resemblance with any of the individuals/ entities in the list is immediately be intimated to SEBI and FIU-IND.

Regularly scanning of circulars, by laws communiqués and order of our regulatory and all other relevant authority and ensure the compliance of the same by freezing of existing account or by denial to open account of those entities that are debarred to deal in the market.

### Reporting to Financial Intelligence Unit-India

#### For Cash Transaction Reporting

- All dealing in Cash that requiring reporting to the FIU IND will be done in the CTR format and in the matter and at intervals as prescribed by the FIU IND.

#### For Suspicious Transactions Reporting

This will typically be in cases where we know, suspect, or have reason to suspect:

- the transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any the transaction reporting requirement,
- the transaction is designed, whether through structuring or otherwise, to evade the any requirements of PMLA Act and Rules framed thereof.
- the transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and we know, after examining the background, possible purpose of the transaction and other facts, of no reasonable explanation for the transaction, or
- the transaction involves the use of the Company to facilitate criminal activity.

We will not base our decision on whether to file a STR solely on whether the transaction falls above a set threshold. We will file a STR and notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist, or corrupt activities.

We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the PMLA Act and Rules thereof.

### Procedure for filing of STR with FIU-India

1. Download ARFTPUBeta1.xls along with Report Generation Utility (RGU) & Report Validation Utility (RVU) from FIU-India website.
2. Duly filled up the relevant data in the ARFTPUBeta1.xls template as per requirement.
3. Then import the said template in the RGU and generate STR\_ARF\_INDPP00779\_1.xml file.
4. The said STR\_ARF\_INDPP00779\_1.xml file then imports in the RVU and create Hash\_STR\_ARF\_INDPP00779\_1.xmlfile.
5. Now the said STR file is ready for uploading in the FIU-India website.

#### Employees Hiring /Employees Training/ Investor Education

a) Hiring of Employees

There is proper system of screening procedures to ensure high standards when employees are hired for the position vacant with the organization. Especially the employees in the category of senior executive level are selected who are highly competent to ensure and comply with the provisions of PMLA Act, 2002 and rules made there under in true sense.

b) Employees Training

We have policy for ongoing employee training program so that our staffs aware of the provisions of AML and CFT procedures and amendments thereof. These training programs are focused to 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, if there is any lapse on the part of any staffs of the company.

c) Investors Education

To implement AML/CFT provisions in true sense there is need to get 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. To satisfy the investors on these aspects so that they can easily provide the information to us, we endeavour to make them aware of PMLA provisions by way of literature formulated by us for all the investors.

#### Principal Officer Designation and Duties

The Company has designated Mrs. Renu Agarwal as the Principal Officer and Ms. Madhvi Ahuja, Director of the Company as its Designated Director for its Anti-Money Laundering Program, both of whom shall be responsible for the Company's AML program. The duties of the Principal Officer will include monitoring the Company's compliance with AML

obligations and overseeing communication and training for employees. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU – IND).

The Company has provided the FIU with contact information for the Principal Officer, including name, address, e-mail address, telephone number and fax number. The Company will promptly notify FIU of any change to this information.