

PMLA POLICY

(Last Reviewed on 18.06.19)

(Last Revised on 18.06.19)

For & Exclusive use of JSPL

JBS SECURITIES PVT. LTD.

**SEBI Registration Nos: NSE: INB/F/E 23078436, USE SEBI Regn No: INE270784031,
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Background

The prevention of Money Laundering Act , 2002 (PMLA) has been brought in force with effect from 1st July 2005 and it provides for Anti-Money Laundering and Anti-terrorist Financing measures to be taken in India and the rules framed there under provides guidance on the practical implementation of the provisions laid down in the Act. The Director appointed by Financial Intelligence Unit- INDIA (FIU-INDIA) has been conferred with exclusive and concurrent powers under relevant sections of the Act to implement its provisions. The Act imposes an obligation on banking companies, financial institutions and intermediaries associated with the securities market and registered with Securities and Exchange Board of India (SEBI) under Section 12 of SEBI Act, 1992. The stock brokers fall under the category of intermediaries under Section 12 of the SEBI Act, 1992 and hence the provisions of PMLA are also applicable to all the stock brokers. Establishment of Anti-Money Laundering programs by Market Intermediaries are one of the recommendations of the Financial Action Task Force (FATF).

SEBI has issued necessary directives from time to time vide its circulars covering issues related to Know Your client (KYC) norms , Anti-Money Laundering (AML), Client Due Diligence (CDD) and Combatting Financing of Terrorism (CFT). This policy document is based on SEBI's master circular on PMLA bearing reference No. CIR/ISD/AML/3/2010 dated 31-Dec-2010 which consolidates requirements/obligations to be fulfilled by all the registered intermediaries. This policy will be subject to change in order to incorporate further directives that SEBI may give vide its circulars on PMLA, from time to time.

What is Money Laundering?

Money Laundering is the processing of criminal proceeds to disguise their illegal origin. It is a process by which persons with criminal intent or persons involved in criminal activities attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities, thereby avoiding prosecution, conviction and confiscation of illegal funds. The laundered proceeds re-enter the financial system appearing to be normal business funds and Market Intermediaries may unwittingly get exposed to a potential criminal activity while undertaking such normal business transactions. Market Intermediaries are therefore placed with a statutory duty to make a disclosure to the Authorized Officer when knowing or suspecting that any property, in whole or in part, directly or indirectly, representing the proceeds of a predicated offence, or was or is intended to be used in that connection is passing through the Market Intermediaries. Law protects such disclosures, enabling the person with information to be able to disclose the same without any breach of confidentiality.

Financial Intelligence Unit (FIU)- India

Financial Intelligence Unit – India (FIU-IND) was set by the Government of India on 18th November 2004 as the central national agency responsible for receiving, processing, analysing and disseminating information relating to suspicious financial transactions. FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in pursuing the global efforts against money laundering and related crimes. FIU-IND is an independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

Anti-Money Laundering Program

The objective of having an AML program is to have in place adequate policies and procedures that helps to prevent money-laundering activities. Such procedures would include the following:

Appointment of Principal Officer & Designated Director

The management of the company has appointed **Mr. Krutik Shah** (Compliance Officer) as a Principal Officer and Designated Director and the details of the appointment has been communicated to the FIU-IND.

Responsibility of Principal Officer

The Principal Officer shall ensure that the PMLA guidelines and PMLA Policy is effectively implemented by the company.

The monitoring of transactions is done on a regular basis.

Reporting of suspicious transactions to the prescribed authorities in the specified time limit.

To maintain the record of all the transactions, its nature and value, which include: (a) All cash transactions of the value of more than Rs. 10 lakhs or its equivalent in foreign currency (b) 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. (c) All suspicious transaction whether or not made in cash.

To update the management regarding any changes / additions and modifications in the PMLA provisions.

To co-operate and submit the required information to the regulating agencies within the required time.

Client Due Diligence Process:

The Overall Client Due Diligence Process comprises of the following three specific parameters:

- A) Client acceptance policy
- B) Client Identification Process
- C) Monitoring of transactions and Reporting

A. Client acceptance policy: It is essential to make reasonable efforts to determine the true identity of the clients and the company shall put in place effective procedures to obtain requisite details for proper identification of new clients.

- All KYC documentation and procedures prescribed by the Exchanges and SEBI shall be followed at the time of account opening.
- To clearly establish the identity of the client, verification of the addresses and other details. To verify the genuineness of the PAN provided by the client by comparing with the original PAN and checking with Income-Tax website. To verify the copies with the original documents.
- The In-person verification of the client has to be done by the employees of the company.
- To verify whether the client at any point of time has been banned from trading in the stock market by SEBI or any other regulatory authority.
- To verify whether the client has any criminal background and whether he has been at any point of time been associated with any civil or criminal proceedings anywhere.
- To verify whether the client is a politically exposed person or is a relative of a politically exposed person.
- To ensure that no account is opened in a fictitious/benami name and also where the concerned official is unable to apply appropriate client due diligence measures/KYC policies. Incomplete documentation and incomplete application should be rejected.
- To obtain sufficient information in order to identify persons who beneficially own or control the trading account.

List of Designated Individuals/Entities

1. JSPL will verify the name & PAN of clients with an updated list of individuals & entities as approved by the Security Council Committee pursuant to various UN Security Council Resolutions at the time of account opening and also scans the said data base on continuous basis for all registered clients. Also, JSPL verifies the name & PAN of clients against list of Clients Debarred by Regulatory authorities like SEBI, Exchanges, Depositories etc. including Regulatory authority has taken/ proposed actions under IPC or taken penal proceedings against any proposed client, Such other list that may be specified by the Regulators / Compliance Department from time to time like person having known criminal background is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide, web-sites like watch out investors, Search engines like Yahoo, Google, etc.

B. Client Identification Process: The following precautions will have to be taken by the company in order to ascertain that accounts are not misused by the clients or by any third parties for money laundering activities:

- The company shall obtain sufficient information of the client and identify actual beneficiary of transactions or on whose behalf transactions are conducted.
- Verify client's identity.
- The company will register clients only as per SEBI/NSE/CDSL guidelines.
- There shall also be a procedure to update the client's documents and information.
- In case the new client is a PEP or a relative of PEP then such client activation shall be done only after the prior approval of the management of the company. Also when an existing client becomes a PEP, then also an approval of management is required for continuing the relationship.
- As per guidance provided by SEBI/BSE /NSE/CDSL, JSPL obtains sufficient information from the clients in order to identify person who beneficially owns and controls accounts.

As per SEBI circular **CIR/MIRSD/2/2013**, dated 24.01.2013, the beneficial owner has been defined as follows: the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a legal person or arrangement.

- Where the client is a company, partnership or unincorporated association/body of individuals, JSPL verify the identity of such persons, through the following information

--The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Controlling ownership interest means ownership of/entitlement to:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

Where no natural person is identified, the identity of the relevant natural person who holds the position of senior managing official.

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

JSPL periodically, at least on a yearly basis updates all documents, data or information of all clients and beneficial owners collected under CDD process provided the client provides the information.

Categorization of Clients: The Company shall categorize the clients based on the risk they are likely to pose. For this purpose the company shall categorise the clients under low risk, medium risk and high risk category based on appropriate Client Due Diligence process. The company shall adopt an enhanced client due diligence for higher risk categories of clients and a simplified client due diligence process for lower risk category of clients.

1. **Low Risk:** Low risk clients are those who are likely to pose low or nil risk as per the PMLA policy. Individuals and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as low risk. They can be the following:
 - (a) Salaried individuals
 - (b) Corporates which are promoted or managed by persons with good credibility/integrity and which are updating their documentation on a regular basis.
 - (c) Govt. employees
 - (d) Govt. owned Insurance Companies.
 - (e) HNIs with respectable social status and financial standing.
 - (f) Businessmen and other entities whose identity and source of wealth easily identified.
 - (g) Mutual Funds registered with SEBI.

2. **Medium Risk:** Clients which are likely to pose a medium risk to the company may be categorized as medium risk. They can be the following:
 - (a) Persons in business/ industry / trading activity where the area of his residence or business has a scope or history of unlawful trading/business activity.
 - (b) Where the client profile of the person opening the account is doubtful or dubious.
 - (c) Where the trading and settlement pattern of the client is suspicious.

3. **High Risk:** Clients which are likely to pose a high risk to the company may be categorized as high risk. They can be the following:
 - (a) NRIs, entities into foreign exchange business.
 - (b) HNIs whose identity and source of wealth are difficult to identify.
 - (c) Trust, Charities and NGOs receiving donations.
 - (d) Politically exposed persons.
 - (e) Clients with dubious reputation as per public information available.
 - (f) Clients in high risk countries as announced by appropriate authorities from time to time.

Clients of Special Category

The company shall consider the following clients as clients of special category:

1. Non-resident clients.
2. High-net worth clients with high risk.
3. Trust, charities, Non-Govt. Organizations and organizations receiving donations.
4. Companies having close family shareholdings or beneficial ownership.
5. PEP persons and family members and close relatives of PEP persons.
6. Companies offering foreign exchange services.
7. Clients in high risk countries.

TREATMENT OF ACCOUNTS OF CLIENTS OF HIGH RISK & SPECIAL CATEGORY

1. Client poses high risk to the company shall be identified and applied a close eye on their trading activities, continuous profit/losses, understanding their financial strength as compared to their delivery based volume, their pay-in pay-out of funds and securities, third party receipt of funds and securities etc. needs to be taken care off.
2. NRI: - While opening NRI account utmost care should be exercised. Collect the following documents
 - ☐ PAN Card Copy
 - ☐ Pass Port Copy with date of arrival in case personal visit
 - ☐ Indian & foreign Address Proof
 - ☐ Cancelled cheque copy of NRE A/c, along with PIS permission issued from RBI & Bank statement copy
 - ☐ Client master copy for demat account
 - ☐ FEMA declaration
3. High Net worth Clients:- High Net worth clients could be classified as such if at the account opening stage or during the course of the relationship, it is realized that the client's investments or the appropriate for investment is high.
4. Trust, Charity and NGOs: -Public as well as private, registered as well as unregistered trust will have to be classified in the special category.
5. Politically Exposed Person: - In case of PEPs, the account should be opened only after consent of the senior management and principal officer & all the required documents are collected and client should be marked as PEP in records. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, registered intermediaries shall obtain senior management approval to continue the business relationship.
6. For other accounts directors will personally looking after the trading activity of the clients

Risk Assessment

Risk assessment has been done to identify, assess, and take effective measures to mitigate money laundering and terrorist financing risk with respect to clients, countries or geographical areas, nature and volume of transactions, payment method used by clients, etc. It also include any country specific information circulated by Government of India, SEBI etc. from time to time and updated list of individuals and entities who are subjected to sanction measures as required under United Nation's Security Council Resolutions. This assessment will be properly documented, regularly updated and made available to competent authorities and self-regulating bodies as and when required.

C. Identification, Monitoring and reporting of suspicious transactions :

Identification & Monitoring of transactions: The company shall identify and monitor the transactions of all clients on a regular basis with respect to the turnover of client, scrip traded, trading and settlement pattern, exposure limits granted and transactions which exceed the exposure limits as part of on-going scrutiny of the transactions and accounts. It is also important to understand the normal activity of the client so that it is possible to identify the deviant transactions/activities.

There should be special attention to all complex, unusually large transactions/patterns which appear to have no economic purpose. The company shall also ensure that the funds/ securities are received from a client through his bank account/ demat account registered with JSPL and that payment of fund is made through account payee cheque or direct transfer to the client bank account registered with JSPL and securities are also transferred to the registered demat account.

Suspicious Transactions Monitoring & Reporting:

To enable suspicious transactions to be recognised, the company has listed the following indicative list. They are as follows:

1. False identification documents submitted at the time of account opening.
2. Doubt over the real beneficiary of the account.
3. Suspicious background or links with known criminals.
4. Circular trading.
5. Unusual high turnover of transactions in comparison with disclosed income/assets.
6. Give reasonable ground of suspicion that it may involve proceeds of crime.
7. Appears to be made in circumstances of unusual or unjustified complexity.
8. Appears to have no economic rationale or bonafide purpose.

The concerned staff shall monitor all transactions executed by clients and report to the Principal Officer any transaction that appears to be of a suspicious nature. The Principal Officer shall analyse and examine such data and then decide if any transaction listed therein warrants a closer inspection or not. He shall maintain the records of all such data. In case the Principal Officer comes across any transaction that appears to be of suspicious nature, he shall submit the report of such transactions directly to the FIU-India in the prescribed format within seven working days of the establishment of suspicion.

The company shall not place any restriction on the operation in the account of any client where an STR has been made and the same has been reported to FIU-India. The company shall also not disclose the same to the client for whom the STRs have been reported to FIU-India. However, in exceptional circumstances consent may not be given to operate the account, and transaction may be suspended.

The 'Principal Officer' shall report the information relating to suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address as may modify by the SEBI/Exchange from time to time: Director, FIU-IND, Financial Intelligence, Unit-India, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi – 110021

The reporting requirements and formats to be used are specified by FIU from time to time.

If any employee suspects or has reasonable ground to believe that a customer is involved in money laundering must promptly be reported to the Principal Officer.

It should be ensured that the money pertaining to suspicious trades should not be returned. However, the relevant authorities should be consulted in determining what action should be taken.

DUE DATE FOR REPORTING:

Cash Transaction Report: **15th Day** of the Succeeding month

Suspicious Transaction Report: **7th Day** of the succeeding month

Freezing of Funds, Financial Assets or Economic Resources or Related Services

As per the Section 51A in The Unlawful Activities (Prevention) Act, 1967 and Order issued by the Central Government on 27.08.2009 thereunder, Central Government has power to

(a) 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;

(b) 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;

(c) prevent the entry into or the transit through India of individuals listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism.]

This obligations is on JSPL to ensure the effective and expeditious implementation of said Order

Record Keeping & Retention of Records

PMLA stipulates that all relevant documents like AOF and their supporting documents and all instructions for operating the account given by Client or its duly registered Power of Attorney should be maintained at least for a minimum period of five years after the account is closed. In cases where the records relate to on-going investigations or transactions that have been a subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

In view of this, JSPL maintains the records in terms of the provisions of PMLA. The retention period is modified on receiving appropriate instructions from any regulatory authority like SEBI, FIU-IND or any other statutory authority.

Presently, in terms of Rules made under the PMLA Act, we shall maintain and preserve a record for following time frame:

(a) All suspicious transactions whether or not made in cash **for a period of Five years;**

(b) 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, account files, business correspondence and all other details as per PMLA guide line **for a period of Five years after the business relationship between client and intermediary has ended or the account has been closed whichever is later.**

(c) Suspicious records along with the records of the identity of clients shall be maintained and preserved **for a period of Five years** or as may be in force from time to time from the date of cessation of the transaction between the Client and intermediaries

Also, In terms of SEBI (D&P) Regulation, 2018 dated 03.10.2018, JSPL shall maintain and preserve all records and information for a period of 8 years in the manner that allows easy and quick retrieval of data

Employees Hiring & Training

The company shall ensure adequate screening procedures at the time of hiring of its staff and also ensure that the employees dealing with PMLA requirements are suitable and competent to perform their duties. JSPL carries out background check, criminal check, educational verification etc. The Principal Officer shall also impart periodical

refresher training to the staff and keep them updated on new developments and communicate and changes in the policies and procedures etc.

Investor Education

The PMLA policy of the company shall be available to investors and clients so as to create awareness amongst them.

Implementation of AML/CFT measures requires JSPL to demand certain information from investors which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/income tax returns/bank records etc. This can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information.

There is, therefore, a need for JSPL to sensitize our clients about our requirements as the ones emanating from AML and CFT framework. JSPL shall prepare specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme and the said PMLA policy/ literature is available on our web-site for our clients.

Review of Policy & Approval of Board of Directors

The aforesaid AML policy shall be reviewed at least once a year by a person other than the one who has made the policy with regard to testing of its adequacy to meet the compliance requirement of PMLA 2002 and also, the same will be revised periodically to make it in line with the latest Rules, Regulations, Circulars & Guidelines of the SEBI, Exchanges and Depositories.

While reviewing the policy, following Amendments to Prevention of Money-laundering Rules, were taken into consideration:

Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under wide circular ref. no. SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2018/ 104, dated 04.07.2018.

The policy is also approved by the Board of Directors of the Company at the duly held meeting. The Principal Officer shall give directions to undertake additions, changes, modifications etc. as directed by SEBI/FIU-India.