

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. Suresh Chand Sharma 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.

Internal Policies, Procedures and Controls:

a) Identification & Reporting

The back office and trading staff is instructed to observe the following safeguards:

- 1 No cash transactions for trading in securities shall be allowed at 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

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.

b) Client identification procedure:

The 'Know your Client' (KYC) policy should clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.

The client should be identified by the intermediary by using reliable sources including documents / information. The intermediary 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 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 within the intermediary.

SEBI has prescribed the minimum requirements relating to KYC for certain class of the registered intermediaries from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time, all registered intermediaries should frame their own internal guidelines based on their experience in dealing with their clients and legal requirements as per the established practices. Further, the intermediary should also maintain continuous familiarity and follow-up where it notices inconsistencies in the information provided. The underlying principle should be to follow

the principles enshrined in the PML Act, 2002 as well as the SEBI Act, 1992 so that the intermediary is aware of the clients on whose behalf it is dealing.

Policy and Procedure followed:

We are adhering with the KYC (know Your Client) norms of the SEBI. We take all the details from the client like in case of individual we take photo identity proof issued by any government authority i.e. Driving License, Passport or Pan Card containing photo. We take address proof, copy of pen card, bank details and demat details and also verify the original of all the above-mentioned documents. We take above-mentioned details of director in case of corporate, details of partner /proprietor in case of firm and Karta in case of HUF and last but not the least; we always take the details of the introducer of the client. We also update our client agreement form and risk disclosure as per the requirement of the regulatory authority from time to time.

We have also instructed our staff to regularly report the transaction of suspicious nature to the Operation Head. We also try to ensure that the payment and delivery is received from the client own bank/demat account. We don't accept any payment from third party and same rule is being followed in case of delivery also

c) *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.

Procedures

a) Know Your Client Documentation

- 1 KYC policy is already in place in accordance with SEBI Norms and the staff is instructed to strictly adhere to same in this regard.
- 2 Client Due Diligence Process is already in place with three specific parameters. Such parameters are:
 - Policy for acceptance of clients
 - Procedure for identifying the clients by Verify the customer's identity using reliable, independent source documents, data or information and 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.
 - Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)
- 3 To verify the KYC as per the checklist laid down in the Account Opening Form and no account is to be opened
 - in fictitious / benami name,
 - where the identity of the client cannot be ascertained,
 - information provided is suspected to be non-genuine,
 - Perceived non-cooperation of the client in providing full and complete information.
 - Identity of client matches with persons having known criminal background or is banned in any other manner.
- 4 Scanning of our Client database to ensure that no account is held or linked to any entity or individual which is debarred by UN on its website.

b) Categorization of Clients

Clients may be classified into high and low risk categories depending upon the volume and nature of their business.

High Risk Category Clients Such clients include the following-

- a. Non resident clients
- b. High Net worth clients,
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Companies having close family shareholdings or beneficial ownership
- e. Politically exposed persons (PEP) of foreign origin.
- f. 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)
- g. Companies offering foreign exchange offerings
- h. 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 centers, tax havens, countries where fraud is highly prevalent,.
- i. Non face to face clients
- j. Clients with dubious reputation as per public information available etc.
- k. we have also ensure that none of the client are linked to any of the entities or individuals included in the list published by United Nation.

The above mentioned list is only illustrative and the back office and trading staff should exercise independent judgment to ascertain whether new clients should be classified as CSC or not

c) Setting-up limits

The margin limit of client is set by RMS Manager, depend on client ledger balance & Security Margin deposited with company. TWS access is restricted to head office only and surveillance department manage the transaction of clients. Margin limits are changed only on phone calls by designated person of Accounts department if funds & Security received from clients.

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.

d) Hiring of Employees

The company will have adequate screening procedures in place to ensure high standards when hiring employees. They should identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

e) 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 should 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.

f) 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.

g) Reporting to FIU

As per our general if any transaction of suspicious nature is identified it must be brought to the notice of the Principal Officer who will submit report 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 NCJ Share & Stock Broker Ltd.

Authorized Signatory