

ATS Share Brokers Private Limited

Anti-Money Laundering Policy on Stock broking

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Introduction

Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activities including Smuggling, Drug Trafficking, Illegal Arms Sales, and transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins. Money Laundering (ML) is the processing of criminal proceeds in order to disguise their illegal origin. Money Laundering has become a big issue which each and every country is trying to combat. It is suspected that one of the ways of laundering money is through securities market transactions.

Back Ground

The Prevention of Money Laundering Act, 2002 (PMLA) was brought into force with effect from 1st July 2005. In view of this, SEBI had issued the Guidelines on Anti Money Laundering Standards vide their notification No. ISD/CIR/RR/AML/1/06 dated 18th January 2006. Vide letter No. ISD/CIR/RR/AML/2/06 dated 20th March 2006 SEBI had also issued the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992. As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI.

FIU-India

The Government of India set up Financial Intelligence Unit-India (FIU-IND) on 18th November 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the finance minister. FIU-IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions.

Policy of ATS Share Brokers Private Limited

ATS Share Brokers Private Limited (ASBPL) has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame-work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002. This policy is intended for use of the employees of ASBPL to comply with the provisions of Prevention of Money Laundering Act, 2002 (PMLA). The relevance and usefulness of these policies will be kept under review and it may be necessary to issue amendments from time to time.

Appointment of Principal Officer

We have appointed Mr. Sunish CV, Director as the Principal Officer, who will be reporting the suspicious transactions to the Director, Financial Intelligence Unit-India. He will be responsible for implementation and Compliance of the provisions of PMLA, 2002 and ASBPL's AML Policy. The Principal Officer will act as a central reference point and will play an active role in the identification and assessment of potentially suspicious transactions. The Principal Officer will give an orientation to all the concerned staff of ASBPL on the guidelines of FIU/SEBI and the identification of Suspicious Transactions on a regular basis.

CUSTOMER DUE DILIGENCE POLICY

The main aspect of this policy is the Customer Due Diligence Process which means to:

- a) Obtain sufficient information about to the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted
- b) Verify the customer's identity using reliable, independent source, document, data or information.
- c) Conduct on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's background/financial status, its activities and risk profile.

The Customer Due Diligence Process includes three specific parameters

- i. Policy for Acceptance of Clients**
- ii. Client Identification Procedure**
- iii. Suspicious Transactions identification & reporting**

1. Customer Acceptance Policy

- Each client should be met in person, before accepting the KYC. The client should be met at the address given in the KYC. This will ensure that the address is also verified.
- Verify the PAN details on the Income Tax website.
- All documentary proofs given by the client should be verified with original.
- Documents like latest Income Tax returns, annual accounts, etc. should be obtained for ascertaining the financial status. If required, obtain additional information/document from the client to ascertain his background and financial status.

- Obtain complete information about the client and ensure that the KYC documents are properly filled up, signed and dated. Scrutinize the form thoroughly before forwarding it to HO for account opening.
- Ensure that the details mentioned in the KYC matches with the documentary provided and with the general verification done by us.
- If the client does not provide the required information, then we should not open the account of such clients.
- If the account is opened by a PoA/Mandate Holder, then we need to clearly ascertain the relationship of the PoA/Mandate Holder with the client. Apply the KYC procedures to the PoA/Mandate Holder also.
- We should not open any accounts in fictitious/benami/anonymous basis.
- We should not open accounts where we are unable to apply appropriate KYC procedure
- Update the details of the client like address, contact number, demat details, bank details etc. and keep the Account Opening Team at HO informed of the same. In case, at any point of time, we are not able to contact the client either at the address or on the phone number, please stop dealing for the client and inform the Principal Officer.

Be careful while accepting Clients of Special category

We should be careful while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed shareholding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high-risk countries, non-face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high-profile politician, Companies offering foreign exchange, etc.) Or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high

. Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category

Politically Exposed Persons

A politically exposed person (PEP) is defined by the Financial Action Task Force (FATF) as an individual who is or has been entrusted with a prominent public function. Due to their position and influence, it is recognized that many PEPs are in positions that potentially can be abused for the purpose of committing money laundering (ML) offences and related predicate offences, including corruption and bribery, as well as conducting activity related to terrorist financing (TF).

Foreign PEPs: individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials.

Domestic PEPs: individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials.

International organization PEPs: persons who are or have been entrusted with a prominent function by an international organization, refers to members of senior management or individuals who have been entrusted with equivalent functions, *i.e.*, directors, deputy directors and members of the board or equivalent functions.

Family members are individuals who are related to a PEP either directly (consanguinity) or through marriage or similar (civil) forms of partnership.

Close associates are individuals who are closely connected to a PEP, either socially or professionally.

If the person who is acting on behalf of a PEP, or if a customer or beneficial owner is identified as a family member or close associate of a PEP, then the requirements for PEPs should apply accordingly to them.

Do not accept clients with identity, matching persons, known to have criminal background and debarred Clients

Check whether the client's identity matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any local enforcement/regulatory agency. For scrutiny / back ground check of the clients / HNI, websites such as www.watchoutinvestors.com should be referred. Also, Prosecution Database / List of Vanishing Companies available on www.sebi.gov.in and RBI Defaulters Database available on www.cibil.com should be checked.

Debarred Clients: Before clients open an account check whether the client's name matches with names in any of the following lists:

- SEBI Debarred List
- UNSC
- PEP
- OFAC (Office of Foreign Access and Control given by US Treasury Dept.)
- Such other list that may be specified by the Regulators/Compliance Department from time to time

2. Customer Identification Procedure (For New Clients)

To have a mechanism in place to establish identity of the client along with firm proof of address to prevent opening of any account which is fictitious / benami / anonymous in nature.

Documents to be obtained as part of customer identification procedure for new clients:

As identity Proofs, Copy of PAN Card, voter's Identity card, Passport, Ration Card or any Government/PSU/Bank issued photo identity card or any other document prescribed by the regulatory authorities is mandatorily collected

Address proof in the form of Voter's Identity Card, Passport, Bank Statement (not more than 4 months old), Ration card and latest Electricity/telephone bill (not more than 3 months old) in the name of the client or any other document prescribed by the regulatory authorities

Additional Documents for Corporate:

- Copy of the Registration/Incorporation Certificate
- Copy of the Memorandum & Articles of the Association
- Copy of the PAN card
- Copy of the latest audited Annual Statements of the corporate client
- Latest Net worth Certificate
- Latest Income Tax return filed.
- Board Resolution for appointment of the Authorized Person who will operate the account
- Proof of address and identity of Authorized Person

Partnership Firms/Trust

- Registration certificate
- Partnership Deed / Trust Deed
- PAN card of partners
- Authorization letter for the person authorized to open and operate the account

In case of an NRI account; Repatriable/non-repatriable, the following documents are required

- Copy of the Portfolio Investment Scheme Account (PIS) permission issued by the bank
- Copy of the passport
- Copy of PAN card
- Proof of overseas address and Indian address
- Copy of the bank statement

- Copy of the DEMAT statement
- If the account is handled through a mandate holder, copy of the valid PoA/ mandate

General Guidelines on Identification of Beneficial Ownership (CIR/MIRSD/2/2013)

The beneficial owner has been defined in the circular as 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.

Further, the Prevention of Money Laundering Rules, 2005 also require that every banking company, financial institution and intermediary, as the case may be, shall identify the beneficial owner and take all reasonable steps to verify his identity.

- Always check original documents before accepting the copies.
- Obtain the latest photograph of account holder/ authorized person(s)
- Check for latest IT return of the client/ Net worth Certificate for ascertaining the financial status of the client to know the client suitability of the product being sold to the client.
- Review the above details on-going basis to ensure that the transactions being conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer's source of funds.
- Scrutinize the forms submitted by the client thoroughly and cross check the details with various documents obtained like source of income. If required, ask for any additional details like salary slips, etc. to satisfy yourself whenever there is a doubt.

Additional Guidelines for Non-Individuals

Need to identify the controlling ownership interest. Controlling ownership interest means ownership of/entitlement to:

More than 25% of shares or capital or profits of the juridical person, where the juridical person is a company and 15% where the juridical person is a partnership; or an unincorporated association or body of individuals.

Risk Profiling of the Client

It is generally recognized that certain customers may be of a higher or lower risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. Typically, the clients of ASBPL should be classified as High Risk, Medium Risk, and Low Risk

- Low Risk Category clients are those pose low or nil risk. They are good clients who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares. This category consists of Senior Citizens, Salaried Employees and a major portion of clients who indulge in delivery-based trading.
- Medium risk Category clients are those who are intra-day clients or speculative clients.
- High Risk category clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc. This category consists of HNIs, Trust, Charities, and politically exposed Persons. Also, Clients with dubious reputation as per public information available etc.

3. Suspicious Transactions

Suspicious Transactions are those which:

- a) Gives rise to reasonable grounds of suspicious that it may involve proceeds of crime
- b) Appears to be made in circumstances of unusual or unjustified complexity
- c) Appears to have no economic rationale or bonafide purpose

Factors giving rise to suspicion are:

3.1 Client Background / Identity & Receipt/Payment pattern:

- Clients whose identity verification is difficult which includes non-cooperation of the Client also.
- The source of the funds is not clear keeping in mind the client's financial standing/business activity
- Clients belonging to (or) introduced by persons/entities in high-risk countries
- Increase in business without justification and Turnover not commensurate with financials
- Unusual large cash deposits
- Overseas receipts/payments of funds with or without instructions to pay in cash
- Transfer of proceeds to unrelated parties
- Non-face to face client
- Suspicious background or links with criminals

- Large number of accounts having a common parameter such as common partners / directors / promoters / address/ email address / telephone numbers introducer or authorized signatory
- Use of different accounts by client alternatively

3.2 Criteria for Ascertaining Suspicious Transactions

Surveillance/RMS Alerts based on the client's transactions on NSE/BSE

- Unusually large transactions like, clients having traded in scrip/shares of a company over a threshold quantity /value in a single day and volume in that scrip of that client is above a threshold percentage of the total volume in that scrip of the Exchange.
- Negotiated trades /matched trades.
- Client's Turnover not commensurate with financials, whether the payments are being made, in cheque and from the bank account(s) of the clients registered with ASBL.
- Relation of the client with the company / directors / promoters.
- Clients making huge and regular losses and are still placing trades/orders and further identifying the Sources of funds in such cases.

3.3 Reporting of Suspicious Transaction

Any suspicious transactions, identified by the Principal Officer or brought to the notice of the Principal Officer, will be analysed by the Principal Officer. All Branch Heads/ Department Heads/ Sub-brokers are required to report suspicious transactions to the Principal Officer which would in-turn report it to FIU. If the Principal Officer decides that the transactions need to be reported to FIU he will report the transaction to FIU. If the Principal Officer decides not that the transactions are not suspicious enough to be reported to FIU, he will record the reasons for the same and document it.

If any transaction has been reported, as suspicious, to FIU, the Principal Officer has to keep the same confidential. The transaction of the client will be executed, as usual, unless and until told specifically by the Principal Officer to discontinue dealing/close the account of such clients.

The Cash Transaction Report (CTR) (wherever applicable) for each month should be submitted to FIU-IND by 15th of the succeeding month

The Suspicious Transaction Report (STR) should be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature

Cash and Suspicious Transaction reports are reported to the Director FIU-IND at the following address

Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Chanakyapuri,
New Delhi-110021.
Website: <http://fiuindia.gov.in>

4. Policy for Dormant Accounts

A Trading account in which no transaction has been carried out for a period of more than 6 (six) calendar months shall be classified as a Dormant Account. A Demat account having no debit transactions in the last 6 (six) calendar months shall be classified as Dormant account.

In case of Online or Offline dormant trading accounts in which no transaction has been placed during the last 6 (six) calendar months, the account of the client shall be locked and the client shall not be permitted to execute a fresh transaction in the account unless the client provides the following:

- An e-mail request to reactive the account and process the transaction. Such e-mail request shall be sent only from the e-mail id of the Client registered with ATS.
Or
- A written undertaking from the client and also the latest KYCs from the client in case of changes

Sudden activity in dormant accounts may be viewed as a suspicious transaction. Any debit transactions in dormant Demat accounts or any transactions in dormant Trading accounts shall be reported as an Alert and adequate reports shall be generated. Such alerts/reports shall be reviewed by the Authorised Official.

5. Maintenance of Records

We maintain records of the following types of transactions:

- all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- 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;

- all cash transactions were forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- all suspicious transactions whether or not made in cash Information to be maintained

We in our organization maintain and preserve the following information in respect of the recorded transactions:

- i) The nature of the transactions;
- (ii) The amount of the transaction and the currency in which it was denominated;
- (iii) The date on which the transaction was conducted; and
- (iv) The parties to the transaction.

5.1 Retention of Records

The records of the identity of clients involved in such transactions are to be maintained and preserved for a period of ten years from the date of cessation of the transactions between the client and intermediary.

All necessary records on transactions, both domestic and international, are to be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed there under as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.

6. Hiring of Employees: PMLA Training and Practice and Investor's Education

The Principal Officer will provide periodical training to all employees of ASBPL on the policy and on reporting practices. Also, when ASBPL hire new employees, they will be screened for reporting of any offences related to Money Laundering in their previous companies. Suitable training programs wherever required for new staff, front-line staff, sub-brokers, supervisory staff, will be organized.

Training session needs to be arranged for Investors to inform them on the requirements emanating from AML and CFT framework. The purpose of this section is to ensure that

1. The client is made aware of; and
2. Prepare specific literature/pamphlets so as to educate the clients about the objective of the AML Program and CFT framework.

7. 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 27th, 2009 detailing the procedure for the implementation of Sec 51A of the UAPA. Under the aforementioned Sec., 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, 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. Vide SEBI Circular Ref. No. ISD/AML/CIR-2/2009 dated October 23, 2008, obligations of intermediaries, to ensure the effective and expeditious implementation of said Order, have been issued. The Company needs to comply with these scrupulously.

7. Designated Principal Officer

In case any further information /clarification is required in this regard, the 'Principal Officer' may be contacted.

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(Director)

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