

# BHARAT BHUSHAN EQUITY TRADERS LTD

## 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 three specific parameters which are related to the overall '**Client Due Diligence Process**':

- a. Policy for Acceptance of Clients
- b. Procedure for Identifying the Clients
- c. Transaction Monitoring and Reporting especially Suspicious Transactions Reporting

### a) 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. 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 Deligence process.

### High Risk Clients:

- Trust accounts.
- Clients who are refusing to provide their financial details / source of income.
- Non – Individual Clients having close family shareholdings i.e. less than 5 shareholders or if a single person shareholding is more 75% of the total shares.
- Loss making Non- Individual clients or if reserves and surplus balance is less than Rs. 5 lac.

- 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.
- Clients residing in highly sensitive areas.

Medium Risk Clients:

- Individuals whose annual income ranges for last three years is Rs. 25,00,000 and above and who have not submitted any financial documents.
- Client whose account is operated by POA holder.
- House wives Accounts
- Clients who have not given the nature of business or nature of business are lending, investment, finance, credit etc.

Low Risk Clients:

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

- iii. 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:

Clients of Special Category (CSC):

- Non-resident clients
- High networth clients
- Trust, Charities, NGOs and organizations receiving donations

- Companies having close family shareholdings or beneficial ownership
  - Politically exposed persons (PEP). Politically exposed persons 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.
- iv. Taking appropriate steps to verify the identity and/or obtain documents required as per the risk categorization. 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.
- v. Taking adequate steps to ensure the identity of the customer.
- vi. Preparation of a profile for new and existing customers based on risk categorization. The customer profile must contain information relating to the customer's identity, financial status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by the Company. However, the seeking of such information must not be intrusive.

- vii. To carry out risk assessment in order to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its 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.

The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The assessment shall be documented, updated regularly and made available to competent authorities and self-regulating bodies, as and when required.

- viii. 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.

b) Procedure for Identifying the Clients:

Every Staff Member of the Company shall, at the time of opening of an account or executing any transactions 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/her financial status.

The 'Know Your Client' (KYC) clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the broker – client relationship, while carrying out transactions on behalf of the client or where any doubt regarding the veracity or the adequacy of previously obtained client identification data.

Further the information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future. Each original documents 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.

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, we should frame our own internal guidelines based on experience in dealing with clients and legal

requirements as per the established practices. Further, we should also maintain continuous familiarity and follow-up where it notices inconsistencies in the information provided.

c) Transaction Monitoring and Reporting especially Suspicious Transactions Reporting

Every staff member of the Company will report (if any) suspicious transactions prescribed in PMLA to the Principal Officer of the Company.

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

- α. Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- β. Appears to have no economic rationale or bonafide purpose; or
- χ. Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;

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;

### **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;

### **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;

### **Reliance on third party for carrying out Client Due Diligence (CDD)**

We may rely on a third party 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. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act and such reliance 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. However, we shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

Principal Officer:

The Company has appointed Ms. Renu Agarwal as Principal Officer for monitoring the Internal Controls and Policies & Procedures as per the requirements of Prevention of Money Laundering Act – 2002.

Appointment of a Designated Director

In addition to the existing requirement of designation of a Principal Officer, the Company has appointed Ms. Madhvi Ahuja as a 'Designated Director' to comply with AML/CFT obligations.

She will be responsible for undertaking training programs and advising on Money Laundering issues, investigating and reporting suspicious activity to (Financial Intelligence Unit) FIU – India, Ministry of Finance.

Designated Director will evaluate all such suspicious transactions reported to her and will send a report of such transactions prescribed under PMLA to Financial Intelligence Unit (FIU).