

# **S.S.A.T. Consultants (P) Ltd**

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## **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:**

### **Designated Director**

**Mr Lokesh Sachdeva** is designated as the Designated Director to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and rules framed there under.

### **Principal Officer:**

**Mr. Lokesh Sachdeva** 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.

### **Purpose & Scope:**

As a Financial Market Intermediary (which includes a stock-broker, sub-broker) we need to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Accordingly all the back office and trading staff is instructed to observe the following safeguards:

- 1 No Cash transactions for trading in securities shall be allowed 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:
  - O Cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
  - O 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.
  - O 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.
- 4 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.

## **Policies & Procedures:**

### **A) (i) Client identification procedure:**

The 'Know your Client' (KYC) Policy: -

#### **a) While establishing the intermediary – client relationship**

- No account shall be opened unless all the KYC Norms as prescribed from time to time by the SEBI / Exchanges are duly complied with, all the information as required to be filled in the KYC form (including financial information, occupation details and employment details) is actually filled in and the documentary evidence in support of the same is made available by the client. Moreover all the supporting documents should be verified with originals and client should sign the KYC & MCA in presence of our own staff and the client should be introduced by an existing clients or the known reference.
- The information provided by the client should be checked through independent source namely.
- Pan No must be verified from Income Tax We Site
- Address must be verified by sending Welcome Letter / Qtly Statement of Account, and in case any document returned undelivered the client should be asked to provide his new address proof before doing any further transaction.
- We must exercise additional due diligence in case of the **Clients of Special Category** which include but not limited to :-
  - i. Non resident clients
  - ii. High networth clients ( i.e the clients having networth exceeding 20 Lakhs and doing the intra day trading volume of more than 2 Crore and daily delivery volume more than Rs 20 Lakhs)
  - iii. Trust, Charities, NGOs and organizations receiving donations
  - iv. Companies having close family shareholdings or beneficial ownership
  - v. Politically exposed persons (PEP) of foreign origin
  - vi. 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)
  - vii. Companies offering foreign exchange offerings
  - viii. 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 centres, tax havens, countries where fraud is highly prevalent.

- ix. Non face to face clients
  - x. Clients with dubious reputation as per public information available etc.
  - xi. Such Other persons who as per our independent judgment may be classified as CSC.
- In case we have reasons to believe that any of our existing / potential customer is a politically exposed person (PEP) we must exercise due diligence, to ascertain whether the customer is a politically exposed person (PEP), which would include seeking additional information from clients and accessing publicly available information etc.
  - The dealing staff must obtain senior management's prior approval for establishing business relationships with Politically Exposed Persons. In case an existing customer is subsequently found to be, or subsequently becomes a PEP, dealing staff must obtain senior management's approval to continue the business relationship.
  - We must take reasonable measures to verify source of funds of clients identified as PEP.
  - The client should be identified by using reliable sources including documents / information and we 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 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.
  - While accepting a client the underlying objective should be to follow the requirements enshrined in the PML Act, 2002 SEBI Act, 1992 and Regulations, directives and circulars issued there under so that we are aware of the clients on whose behalf we are dealing.

**b) While carrying out transactions for the client**

- RMS department should monitor the trading activity of the client and exercise due diligence to ensure that the trading activity of the client is not disproportionate to the financial status and the track record of the client.
- Payments department should ensure that payment received from the client is being received in time and through the bank account the details of which are given by the client in KYC form and the payment through cash / bearer demand drafts should not be entertained.

**(ii) Identification of Beneficial Ownership**

**1. For clients other than individuals or trusts:**

Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the Company shall identify the beneficial owners of the client and take reasonable measures to 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.

Explanation: 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.
- In cases where there exists doubt under clause 4 (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.

- Where no natural person is identified under clauses 4 (a) or 4 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

## **2. For client which is a trust:**

Where the client is a trust, the Company shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

## **3. Exemption in case of listed companies:**

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.

## **4. Applicability for foreign investors:**

In case of foreign investor's viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, same may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client

## **B) Policy for acceptance of clients:**

The following safeguards are to be followed while accepting the clients:

- a) No account is opened in a fictitious / benami name or on an anonymous basis. To ensure this we must insist the client to fill up all the necessary details in the KYC form in our presence 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 and in-person verification should

be done by our own staff. Moreover new client should either be introduced by an existing customer or by the senior official of the company. In case we have any doubt that in-complete / fictitious information is submitted by the client, we must ask for such additional information so as to satisfy ourselves about the genuineness of the client and the information of the client before accepting his registration.

b) Factors of risk perception of the client :-

<b>Particulars</b>	<b>Risk Perception</b>
<b>Factors of Risk Perception having regard to :</b>	
<b>Client`s Location ( Registered / Correspondence/ other address )</b>	
- Face to Face clients of DELHI & NCR	Low Risk
- Face to Face clients of other than DELHI & NCR	Low Risk
- Client Introduced by existing Face to Face Clients	Low Risk
- Client Introduced by other Existing Clients	Medium Risk
- Direct Clients of DELHI & NCR	Medium Risk
- Direct Clients of other than DELHI & NCR	High Risk
- Non resident Clients	High Risk
<b>Nature of Business Activity, Trading Turnover etc</b>	
-Retail clients ( average daily turnover < Rs 10 Lakhs or net settlement obligation < Rs 2 Lakhs )	Low Risk
- Retail clients ( average daily turnover < Rs 25 Lakhs or net settlement obligation < Rs 5 Lakhs )	Medium Risk
- HNI Clients ( average daily turnover > Rs 25 Lakhs or net settlement obligation > Rs 5 Lakhs )	High Risk
<b>Manner of Making Payment</b>	
- Regular payment through the Bank A/c already mapped with us	Low Risk
- Payment through A/c payee cheque from the Bank A/c other than one already mapped with us	Medium Risk
- Payment through Banker`s Cheque / Demand Draft / Cash	High Risk
<b>Client of Special Categories as defined under Para A (a) of these Guidelines</b>	<b>Very High Risk</b>

c) Ensure that no account is opened where we unable to apply appropriate clients due diligence measures / KYC policies. This shall be applicable in cases where it is not possible to ascertain the identity of the client or information provided by the client is

suspected to be non genuine or perceived non co-operation of the client in providing full and complete information. We should not continue to do business with such a person and file a suspicious activity report. We should also evaluate whether there is suspicious trading in the account and whether there is a need to freeze or close the account.

**C) Policy for 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 preserved safely for a 5 years date of last transaction by the client / date of leaving of an employee.

**E) 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.

**F) 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 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.

**G) 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.

***H) Reporting to FIU***

As per our observations 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 shall be reviewed by us on regular basis to keep it updated as per the various amendments in the PMLA rules.