



## **PREVENTION OF MONEY LAUNDERING POLICY**

### **Maitra Commodities Pvt Ltd**

**SEBI Reg No: INZ000074139**

**MCX Trading Member ID- 55060**

**NSE Trading Member ID – 90175**

**BSE Trading Member ID –**

#### **Objective:**

- To protect the Company from being used for money laundering
- To follow thorough “Know Your Customer” (KYC) policies and procedures in the day-to-day business.
- To take appropriate action, once suspicious activities is detected, and make report to designated authorities in accordance with applicable law / laid down procedures.
- To comply with applicable laws as well as norms adopted internationally with reference to Money Laundering.
- To take necessary steps to ensure that the concerned staff is adequately trained in PML procedures. Reporting of STRs to FIU as per the guidelines of PML Rules, 2002

## **1. INTRODUCTION, DEFINITIONS AND SCOPE**

1.1 Prevention of Money Laundering may be defined as cleansing of dirty money obtained from legitimate or illegitimate activities including drug trafficking, terrorism, organized crime, fraud and many other crimes with the objective of hiding its source and rendering it in legally usable form. It is any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources. The process of money laundering involves creating a web of financial transactions so as to hide the origin of and true nature of these funds.

Successful money laundering activity spawning yet more crime exists at a scale that can and does have a distorting and disruptive effect on economies, marketplaces, the integrity of jurisdictions, market forces, democracies etc. It is in short a cancer, existing for one purpose only, to make crime and illegal activity worthwhile.

The general assembly of United States adopted the political declaration and global program of action in 1990 in its worldwide drive against money laundering and also enjoined upon member states to adopt legislation and program against laundering on a national level. India enacted the Prevention of Money Laundering Act, 2002. (Hereinafter referred to as 'Act'). The Prevention of Money Laundering Act, 2002 has come into effect from 1st July, 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July, 2005 by the Department of Revenue, Ministry of Finance, and Government of India.

**Money Laundering in India:** With the growing financial sector, India is vulnerable to money laundering activities. Some common sources of illegal proceeds in India are narcotics trafficking, illegal trade in gems, smuggling, corruption and income tax evasion. Large portions of illegal proceeds are laundered through the alternative remittance system called "hawala". Under this system, individuals transfer funds from one country to another or from one state to another, often without the actual movement of currency

The Forward Markets Commission (FMC) vide circular no: 07.01.2008-MKT-II dated 30.10.2009 has, in order to protect the commodity derivatives market from the menace of money laundering, felt it necessary to bring the members of commodity exchanges within the reporting ambit of Prevention of Money Laundering Act 2002 (PMLA). The members of the exchanges have, therefore, to follow and adopt: -

## The Prevention of Money Laundering Act 2002 –

- Prevention of Money laundering (Maintenance of records of the nature and value of transaction, the procedure and manner of maintaining and time for furnishing information and verification and maintenance of the identity of clients of the Banking companies, Financial Institutions and Intermediaries) Rules, 2005 - All other rules, regulations, notifications issued by the Government of India from time to time in that behalf.
- FMC's basic objective is that Members have adequate controls and procedures in place so that they know the customers with whom they are dealing.

### **1.2 DEFINITIONS**

AML stands for Anti Money Laundering

'The Act' means, Prevention of Money Laundering Act, 2002 (also abbreviated as PMLA at certain places)

The 'company' or 'Maitra' or MCL means Maitra Commodities Private Limited

'Exchange' means Multi Commodity Exchange of India Limited (abbreviated as MCX)/National Stock Exchange of India ( abbreviated as NSE)/Bombay Stock Exchange Ltd (abbreviated as BSE Ltd.)

"SEBI" stands for Securities and Exchange Board of India.

### **1.3 SCOPE:**

This policy is drafted based on SEBI circular CIR /ISD/AML/3/2010 dated Dec 31, 2010, MCX/INSP/295/2016 dated September 26, 2016 and MCX/INSP/325/2016 dated September 29, 2016 issued by MCX in this regard laying out the guidelines for anti-money laundering and anti-terrorist financing legislations in India.

## **2. PREVENTION OF MONEY LAUNDERING Act, 2002:**

To combat money-laundering activities, the Government of India enacted the Prevention of Money Laundering Act, 2002 (hereinafter referred to as the "Act") on January 17, 2003.

The basic objective of the Act are:

- To prevent, combat and control money laundering.
- To confiscate and seize the property obtained from the laundered money.
- To deal with any other issue connected with money laundering in India.

### **3. OUR PREVENTION OF MONEY LAUNDERING POLICY.**

The purpose of this policy is to set out the prevention of money laundering commitments and obligations for Maitra Commodities Pvt Ltd (hereinafter collectively referred to as 'Company')

This policy is based on the provision of the "Prevention of Money Laundering Act, 2002 and circular issued by SEBI/FMC and exchanges thereof".

This internal policy sets out and establishes governing principles, broad guidelines and standards to be adopted by the Companies in order to protect the Companies from being used by any person to launder money.

#### **Policy objectives**

- To protect the Company from being used for money laundering
- To follow thorough "Know Your Customer" (KYC) policies and procedures in the day-to-day business.
- To take appropriate action, once suspicious activities is detected, and make report to designated authorities in accordance with applicable law / laid down procedures.
- To comply with applicable laws as well as norms adopted internationally with reference to Money Laundering.
- To take necessary steps to ensure that the concerned staff is adequately trained in PML procedures.
- Reporting of STRs to FIU as per the guidelines of PML Rules, 2002.

### **4. THE MONEY LAUNDERING PROCESS.**

Money can be obtained illegally from various criminal activities like drug trafficking, terrorism, organized crime and fraud. As criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activities and provide a legitimate cover for their source of income they usually follow three stages:

#### **1. Placement–**

This is where the criminal proceeds are first-injected into the system. It is also the stage where those who are educated, briefed and alert to the process of money laundering, have the best chance of detecting what is happening and are thus best able to thwart and disrupt the process at the outset.

At this stage, very often larger amounts of money are divided and distributed into smaller amounts to avoid suspicion and then paid into a series of bank accounts, arose to purchase securities, or life policies or other assets, sometimes many kinds of assets, all to achieve the prime purpose of being able to inject the tainted money or value into the legitimate mainstream financial/business system. **Eg:** A criminal having huge crime proceeds in form of cash, can deposit this cash in bank accounts maintained with difference banks, in the name of his relatives, friends and associates, in small amounts.

## 2. Layering –

After the injection has taken place and the tainted money or value has entered and become mixed up in the main mass of money or value in the financial system, it is spun around different accounts, different names, different ownerships, plus different instruments and investments.

All these movements are designed to disguise the origins of the money or value and thus confuse those who might be attempting to trace the money or value back to the root, criminal source.

Facilitated by the birth of electronic funds transfer technology the fast movement of funds through multiple jurisdictions often with different laws, creates major problems for investigators of identification, access and ultimately achieving successful prosecutions.

## 3. Integration–

Placing the laundered proceeds back into the economy in such a way that they re-enter the financial system as apparently legitimate funds.

Integration means the reinvestment of those funds in an apparently legitimate business so that no suspicion of its origin remains and to give the appearance of legitimizing the proceeds.

Section 3 of the Prevention of Money Laundering Act, 2002 defines the offences or laundering. In terms, of this section whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of an offence of money laundering.

The term *proceeds* of crime have been defined under Section 2(u) of the Act viz:

- “Any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property.”
- The said section broadly states that if a person is involved in the process of projecting proceeds of crime as untainted property then he shall be guilty of money laundering, for indulging in the said process of the following three elements / activities shall play a very important role:
- Possession or ownership of the proceeds of crime or property acquired from proceeds of crime, which is being reflected as untainted property.
- Transactions relating to proceeds of crime like converting its form.
- Concealment of the original transaction and/or creating ghost transactions from concealing actual transactions.  
E.g. Possessing Benami Property, Unexplained cash credits, unexplained expenditure, bogus or fictitious accounts, unexplained investments.

## 5. APPLICABILITY

The Prevention of Money Laundering Policy applies to Maitra Commodities Pvt Ltd .

In terms of rules framed under the Act, inter alia, every intermediary shall

1. Maintain a record of all transactions, the nature and value of which may be prescribed,

whether such transactions comprise of single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month;

2. Furnish information of transactions referred to in Clause (a) to the Director within such time as may be prescribed;
3. Verify and maintain the records of the identity of all its Clients, in such a manner as may be prescribed
4. As per provision of section 2(n) of the Act, term “Intermediary” means: “A Commodity Broker, stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

Further in terms of rules made under the Act, all intermediaries shall maintain a record of:

5. All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
6. All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month;
7. All cash transaction where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
8. All suspicious transactions whether or not made in cash;
9. 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; Provided that where it is not possible to verify the identity of the Client at the time of opening an account or executing any transaction, the banking company, financial institution and intermediary, as the case may be, shall verify the identity of the Client within a reasonable time after the account has been opened or the transaction has been executed.

Under these circumstances the Act, applies to Maitra Commodities Pvt Ltd.

### **Suspicious Transactions**

1. Suspicious transactions involve funds derived from illegal activities or is intended or conducted in order to hide or disguise funds or assets derived from illegal activities (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any law or regulation or to avoid any transaction reporting requirement under the law;

2. The transaction has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage,
3. and the financial institution knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.

### **Criteria in relation to defining**

It is difficult to define exactly what constitutes suspicious transactions and as such given below is a list of circumstances where transactions may be considered to be suspicious in nature. This list is only inclusive and not exhaustive. Whether a particular transaction is actually suspicious or not will depend on the background, details of the transactions and other facts and circumstances.

1. Complex /unusually large transactions/ patterns which appear to have no economic purpose.
2. Client having suspicious background or links with known criminals
3. Clients whose identity verification seems difficult.

#### **For Example:**

- i. False identification documents
  - ii. Identification documents which could not be verified within reasonable time
  - iii. Non face to face Client
  - iv. Doubt over the real beneficiary of the account
  - v. Accounts opened with names very close to other established business entities.
4. Client appears not to co-operate.
  5. Use of different accounts by Client alternatively.
  6. Sudden activity in dormant accounts
  7. Multiple accounts
    - i. Large number of account having a common account holder, authorized signatory with no rationale
    - ii. Unexplained transfers between multiple accounts with no rationale
  8. Substantial increase in business without apparent cause (Unusual activity compared to past transactions)
  9. Activity materially inconsistent with what would be expected from declared business
  10. Inconsistency with clients apparent financial standing
  11. Any account used for circular trading
  12. Unusual transactions by Clients of Special Category (CSCs) and business undertaken by shell corporations, offshore banks/financial services, businesses reported to be in the nature of export-import of small items
  13. A transaction which gives rise to a reasonable ground of suspicion that it may involve the

proceeds of crime.

14. A transaction which appears to be a case of insider trading
15. Transactions reflect likely market manipulations
16. Suspicious off market transactions
17. Value of transaction just under the reporting threshold amount in an apparent attempt to avoid reporting
18. Inconsistency in the payment pattern by the client
19. Trading activity in account of high risk clients based on their profile, business pattern and industry segment
20. Accounts based as 'passed through'. Where no transfer of ownership of securities or trading is occurred in the account and the account is being used only for funds transfers / layering purposes.
21. Large deals at prices away from the market
22. Suspicious off market transactions
23. Purchases made in one client's account and later on transferred to a third party through off market transactions through DP Accounts;
24. Multiple transactions of value just below the threshold limit specified in PMLA so as to avoid possible reporting;

## **6. CLIENT ACCEPTANCE POLICY ( CAP)**

The policy is to enable customer due diligence on a risk sensitive basis depending on the type of customer business relationships or transactions. Accordingly the following safeguards are to be followed while accepting the clients.

- No account is opened in a fictitious/ benami name or on an anonymous basis
- Risk Perception: Based on clients location, nature of business activity, trading turnover, manner of making payment for transactions undertaken, clients should be classified into low, medium and high risk category. Though as per guidelines issued by SEBI and practiced by the company this system of making payments to and for receiving payments from, clients is through banking channels only and in the manner specified, the following points are to be ensured.
- No payment in cash is either accepted or made to the client.
- Include this in "Do's and 'Don'ts' issued in writing to the clients as part of client registration
- Discourage payment by clients by DD. In exceptional cases DD's may be accepted if the same is accompanied by documentary evidence such as bank statement and cheque.



- Ensure that the internal control policy in this regard are strictly followed

- Ensure that no account is opened where the intermediary is unable to apply appropriate clients due diligence measures / KYC policies. Such cases are where:

- It is not possible to ascertain the identity of the client
- Information provided is suspected to be non genuine.
- It appears that client does not co-operate by providing full and complete information

- Ensure that identity of the client does not match with any person having known criminal background or is not banned in any other manner. An adequate system to prevent the entry of any suspended / debarred PAN No. into our system.

- The following are considered as Clients Special Category (CSC) and in respect of all them utmost care should be taken to clearly identify the client before the account is opened. The category of clients referred to herein are:

- Non-resident clients
- High net worth clients,
- Trust, Charities, NGOs and organizations receiving donations
- Companies having close family shareholdings or beneficial ownership
- Politically exposed persons (PEP) of foreign origin
- Current / Former Head of State, Current or Former Senior High profile politicians and connected persons)
- Companies offering foreign exchange offerings
- Clients in high risk countries (where existence/effectiveness of money laundering control 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 haven, countries where fraud is highly prevalent.
- Non face to face clients
- Clients with dubious reputation as per public information available etc.

- As far as possible reference and confidential report about the genuineness of the client should be obtained from the client's bankers in respect of all cases other than (e),(g),(h),(i) and (j)

- In respect of those listed as (e), (g), (h), (i) and (j) avoid dealing with them and do not open any account for them.

- As far as possible and except where it is unambiguously made known that the voluntary

donations and other receipts of the Trust/Charitable Organizations/NGO are from genuine sources and not from unidentified or fictitious person, no account of trust/ charitable organization/NGO should be opened.

## **7. RETENTION OF RECORDS**

Following are the Document Retention Terms should be observed:

1. All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period of TEN YEARS (10) from the date of cessation of the transaction.
2. Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the TEN YEARS (10) from the date of cessation of the transaction.
3. Records shall be maintained in hard and soft copies.
4. In situations where the records relate to on-going investigation or transactions, which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

## **8. 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 27, 2009](#) detailing the procedure for the implementation of Section 51A of the UAPA. Under the aforementioned Section, 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 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. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: [ISD/AML/CIR-2/2009 dated October 23, 2009](#), which needs to be complied with scrupulously.

## **9. Client Due Diligence (CDD)**

- Ensure that KYC Norms are strictly followed and all the information provided in the KYC form are obtained and filled up.
- Obtain sufficient information in order to identify persons who beneficially own or control securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party should be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- Verify the customer's identity using reliable, independent source documents, data or information.
- Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the customer and/or the person on whose behalf a transaction is being conducted.
- 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 provide in relation to (c); and
- Conduct ongoing due diligence and scrutiny, i.e. perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the customer, its business and risk profile, taking into account, where necessary, the customer's source of funds

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

- i. The Company 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.
- ii. 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.

## **10. Information to be Maintained**

For the purpose of the record keeping provision, the company should ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PLM act, 2002 as the company as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars. Records to be maintained should be sufficient to permit reconstruction of individual transactions (including the amounts and type of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior. Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing financial profile of the suspect's account. To enable this reconstruction, Organization should retain the following information for the accounts of their customers in order to maintain a satisfactory audit trail.

- The beneficial owner of the account;
- The volume of the funds flowing through the account;
- The origin of the funds;
- The form in which the funds were offered or withdrawn, e.g. cash, cheques, etc;
- The identity of the person undertaking the transaction;
- The destination of the funds;
- The form of instruction and authority.

Organization should ensure that all client and transaction records and information are made available on a timely basis to the competent investigating authorities.

## **11. Implementation of the above requirements for our activities**

### **1. Company Policy**

It is the policy of the firm to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets.

### **2. Principal Officer Designation and Duties**

The company has designated Mr. Sambasiva Sarma K. as the Principal Officer for its Anti-Money Laundering Program, with full responsibility for the company's AML program is qualified by experience, knowledge and training. The duties of the Principal Officer will include

monitoring the company's compliance with AML obligations and overseeing communication and training for employees. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU – IND)

The company has provided the FIU with contact information for the Principal Officer, including name, title, mailing address, e-mail address, telephone number and facsimile number. The company will promptly notify FIU of any change to this information.

### 3. Customer Identification and Verification

At the time of opening an account or executing any transaction with it, the company will 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 financial status as under

Constitution of Client	Proof of Identity	Proof of Address	Others
Individual	<ul style="list-style-type: none"> <li>• PAN Card,</li> <li>• Voter ID,</li> <li>• Ration Card</li> </ul>	<ul style="list-style-type: none"> <li>• Copy of Bank Statement, etc</li> </ul>	<ul style="list-style-type: none"> <li>• N.A.</li> </ul>
Company	<ul style="list-style-type: none"> <li>• PAN Card</li> <li>• Certificate of incorporation</li> <li>• Memorandum and Articles of Association</li> <li>• Resolution of Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>• As above</li> </ul>	<ul style="list-style-type: none"> <li>• Proof of Identity of the Directors/Others authorized to trade on behalf of the company</li> </ul>
Partnership Firm	<ul style="list-style-type: none"> <li>• PAN Card</li> <li>• Registration certificate</li> <li>• Partnership deed</li> </ul>	<ul style="list-style-type: none"> <li>• As above</li> </ul>	<ul style="list-style-type: none"> <li>• Proof of Identity of the Partners/Others authorized to trade on behalf of the firm</li> </ul>
Trust	<ul style="list-style-type: none"> <li>• PAN Card</li> <li>• Registration certificate</li> <li>• Trust deed</li> </ul>	<ul style="list-style-type: none"> <li>• As above</li> </ul>	<ul style="list-style-type: none"> <li>• Proof of Identity of the Trustees/ others authorized to trade on behalf of the trust</li> </ul>
AOP/ BOI	<ul style="list-style-type: none"> <li>• PAN Card</li> <li>• Resolution of the managing body</li> <li>• Documents to</li> </ul>	<ul style="list-style-type: none"> <li>• As above</li> </ul>	<ul style="list-style-type: none"> <li>• Proof of Identity of the Persons authorized to</li> </ul>

	collectively establish the legal existence of such an AOP/ BOI		trade on behalf of the AOP/ BOI
--	--	--	---------------------------------

1. If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our company will not open the new account.
2. 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.
3. The company will maintain records of all identification information for ten years after the account has been closed.
4. The company will follow the Policy (9) mentioned as part of the document to adhere with rules & regulations with the Exchanges.

#### **4. Risk-based Approach**

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. As such, MCL should apply each of the customer due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that MCL shall adopt an enhanced customer due diligence process for higher risk categories of customers. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of customers.

In line with the risk-based approach, the type and amount of identification information and documents that registered intermediaries should obtain necessarily depend on the risk category of a particular customer.

In order to achieve this objective, all clients of the branch should be classified in the following category:

- ✓ **Category A – Low Risk**
- ✓ **Category B – Medium Risk**
- ✓ **Category C – High Risk**

**Categories A** clients are those pose low or nil risk. They are good corporate/HNIs who have a respectable social and financial standing. These are the clients who make payment on time.

**Category B** clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with Maitra Commodities Pvt Ltd

**Category C** clients are those who have defaulted in the past, have suspicious back ground, do not have any financial status, etc.

## **5. Clients of special category (CSC)**

Such clients include the following:

1. Nonresident clients
2. High Net worth clients,
3. Trust, Charities, NGOs and organizations receiving donations
4. Companies having close family shareholdings or beneficial ownership
5. Politically exposed persons (PEP) of foreign origin
6. 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)
7. Companies offering foreign exchange offerings
8. 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.
9. Non face to face clients
10. Clients with dubious reputation as per public information available etc. The above mentioned list is only illustrative and MCL should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

## **12. Maintenance of records**

- ✓ All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- ✓ All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month;
- ✓ All cash transactions where 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. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith - gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or appears to be made in circumstances of unusual or unjustified complexity; or appears to have no economic rationale or bonafide purpose; or gives rise to a reasonable ground of

suspicion that it may involve financing of the activities relating to terrorism

The records shall contain the following information:

- ✓ the nature of the transactions;
- ✓ the amount of the transaction and the currency in which it was denominated;
- ✓ the date on which the transaction was conducted; and
- ✓ the parties to the transaction."

The records will be updated on daily basis, and in any case not later than 5 working days

### **13. Monitoring Accounts For Suspicious Activity**

The company will monitor through the automated means of Back Office Software for unusual size, volume, pattern or type of transactions. For non-automated monitoring, the following kinds of activities are to be mentioned as Red Flags and reported to the Principal Officer.

- The customer exhibits unusual concern about the company's compliance with government reporting requirements and the company's AML policies (particularly concerning his or her identity, type of business and assets), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or business documents.
- The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business or investment strategy.
- The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets
- The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs
- The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
- The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash, or asks for exemptions from the company's policies relating to the deposit of cash.
- The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the Rs.10,00,000 government reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.



- For no apparent reason, the customer insists for multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers.
- The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose.
- The customer requests that a transaction be processed to avoid the company's normal documentation requirements.
- The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as Z group and T group stocks, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)
- The customer's account shows an unexplained high level of account activity
- The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.
- The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer

When a member of the company detects any red flag he or she will escalate the same to the Principal Officer for further investigation

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 account holder, introducer or authorized signatory with no rationale
- Unexplained transfers between multiple accounts with no rationale

#### **Activity in Accounts**

- Unusual activity compared to past transactions
- 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**

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Source 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**

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client
- Block deal which is not at market price or prices appear to be artificially inflated/deflated

## **14. Reporting to FIU IND**

### For Cash Transaction Reporting

- All dealing in Cash that requiring reporting to the FIU IND will be done in the CTR format and in the matter and at intervals as prescribed by the FIU IND

### For Suspicious Transactions Reporting

- the transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any the transaction reporting requirement,
- the transaction is designed, whether through structuring or otherwise, to evade the any requirements of PMLA Act and Rules framed thereof
- the transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and we know, after examining the background, possible purpose of the transaction and other facts, of no reasonable explanation for the transaction, or
- the transaction involves the use of the company to facilitate criminal activity

We will not base our decision on whether to file a STR solely on whether the transaction falls above a set threshold. We will file a STR and notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist, or corrupt activities.

All STRs will be reported quarterly to the Board of Directors, with a clear reminder of the need to maintain the confidentiality of the STRs

We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the PMLA Act and Rules thereof.

## **15.AML Record Keeping**

- **STR Maintenance and Confidentiality**

We will hold STRs and any supporting documentation confidential. We will not inform anyone outside of a law enforcement or regulatory agency or securities regulator about a STR. We will refuse any requests for STR information and immediately tell FIU IND of any such request we receive. We will segregate STR filings and copies of supporting documentation from other company books and records to avoid disclosing STR filings. Our Principal Officer will handle all requests or other requests for STRs.

- **Responsibility for AML Records and SAR Filing**

Principal Officer will be responsible to ensure that AML records are maintained properly and that STRs are filed as required

- **Records required**

As part of our AML program, our company will create and maintain STRs and CTRs and relevant documentation on customer identity and verification. We will maintain STRs and their accompanying documentation for at least ten years.

## **16. Training Programs**

We will develop ongoing employee training under the leadership of the Principal Officer. Our training will occur on at least an annual basis. It will be based on our company's size, its customer base, and its resources.

Our training will include, at a minimum: how to identify red flags and signs of money laundering that arise during the course of the employees' duties; what to do once the risk is identified; what employees' roles are in the company's compliance efforts and how to perform them; the company's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.

We will develop training in our company, or contract for it. Delivery of the training may include educational pamphlets, videos, intranet systems, in-person lectures, and explanatory memos.

We will review our operations to see if certain employees, such as those in compliance, margin, and corporate security, require specialized additional training. Our written procedures will be updated to reflect any such changes.

## **17. Program to Test AML Program**

- **Staffing**  
The testing of our AML program will be performed by the Statutory Auditors of the company
- **Evaluation and Reporting**  
After we have completed the testing, the Auditor staff will report its findings to the Board of Directors. We will address each of the resulting recommendations.

## **18. Monitoring Employee Conduct and Accounts**

We will subject employee accounts to the same AML procedures as customer accounts, under the supervision of the Principal Officer. We will also review the AML performance of supervisors, as part of their annual performance review. The Principal Officer's accounts will be reviewed by the Board of Directors

## **19. Confidential Reporting of AML Non-Compliance**

Employees will report any violations of the company's AML compliance program to the Principal Officer, unless the violations implicate the Principal/Compliance Officer, in which case the employee shall report to the Chairman of the Board, Mr./Ms. Such reports will be confidential, and the employee will suffer no retaliation for making them.

## **20. Board of Directors Approval**

We have approved this AML program as reasonably designed to achieve and monitor our company's ongoing compliance with the requirements of the PMLA and the implementing regulations under it.

## **21. Review of Policy**

Policy will be reviewed by the senior management officials on regular basis. the policy will be reviewed on yearly basis

**Policy reviewed by : Principal Officer**

**Policy reviewed on : 1<sup>st</sup> July 2019**