

RAMANIKLAL MOHAMLAL CAPITAL MARKETS PVT LTD

POLICY FRAMEWORK AS REQUIRED UNDER PREVENTION OF MONEY LAUNDERING ACT, 2002

BackGround

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, Government of India. As per the provisions of the Act, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a 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) shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Such transactions include:-

- All cash transactions of the value of more than Rs 10 lacs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
- All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as demat account, security account maintained by the registered intermediary.

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' should also be considered.

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.

The objective of the SEBI guidelines is that a registered intermediary and any of its representatives should implement, identify and discourage any money laundering or terrorist financing activities. The overriding principle is that the registered intermediary should be able to satisfy themselves that the measures taken by them are adequate, appropriate and follow the spirit of these measures and the requirements as enshrined in the Prevention of Money Laundering Act, 2002 (PMLA) and the Government of India Notification dated 1st July 2005.



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.

NSE and BSE vide their circular dated January 25, 2006 had suggested the criteria on which suspicious secondary market transactions can be identified by a SEBI registered broker.

Responsibility of RCMPL

By virtue of company is the SEBI Registered stock broker of BSE, it is mandatory on the Company to have appropriate Anti Money Laundering policy. The objectives of this policy are:

- a) To ensure that appropriate statement of policies and procedures, are issued, wherever applicable, for dealing with money laundering and terrorist financing reflecting the current statutory and regulatory requirements.
- b) The contents of these Guidelines are understood by all staff members.
- c) The policies and procedures are reviewed regularly to ensure their effectiveness.
- d) The person doing the review will be different from the one who has framed the policies and procedures.
- e) Customer acceptance policies and procedures, which are sensitive to the risk of money laundering and terrorist financing, are adopted.
- f) Customer Due diligence (CDD), to the extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship or transactions is undertaken
- g) Staff Members' awareness and vigilance to guard against money laundering and terrorist financing is developed.

Customer Due Diligence :-The customer due diligence ("CDD") measures would cover the following:

(a) Obtain sufficient information in order to identify persons who beneficially own or control the 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.

(b) Verify the customer's identity using some reliable, independent source documents, data or information;



(c) 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;

(d) 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 provided in relation to point (c) above; and

(e) Conduct an ongoing due diligence and 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.

Thought it is not possible to know all the details and exact details of the client's background and financial status, it should be our endeavor to make a genuine attempt towards achieving this.

Policy for acceptance of clients: The organization needs to follow the following policy and procedure in order to identify the types of customers that are likely to pose a higher than the average risk of money laundering or terrorist financing. By establishing these policies and procedures, the organization will be in a better position to apply customer due diligence on a risk sensitive basis.

Accordingly, the following safeguards are required to be followed while accepting the clients.

a) No account is opened in a fictitious / benami name or on an anonymous basis.

b) Know Your Client form to be filled completely. Special attention is to be given to items which are marked **mandatory**.

c) Documents submitted for our records should be diligently verified with the originals. More importantly PAN card, proof of address needs to be verified with the originals. Further, details of PAN card should be compared with the income tax web site.

d) Copy of Latest I.T. return to be obtained from the client especially in case of an individual, and partnership firm

e) The client name and the names of directors and shareholders to be verified in the CIBIL database, SEBI Prosecution database, NSE's database of regulatory actions against various entities, available at cibil.com, sebi.gov.in and nse-india.com respectively.

f) No client account to be opened where the important / mandatory details are not furnished by the client even after repeated follow ups. Further client account not to be opened in cases where information provided to us is suspected to be non genuine, there is a perceived non-



cooperation of the client in providing full and complete information specially in respect of mandatory and / or important information.

g) Documentation requirement and other information to be collected in respect of different classes of clients would depend on the perceived risk and having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.

h) KYC needs to be updated on a regular basis for all the active clients. The extract of client master could be sent to all the active clients for updating KYC information.

i) No entity would be permitted to trade on behalf of another person / entity.

j) To ensure that the clients identity does not match 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 enforcement agency worldwide.

k) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters should enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of KYC profile.

For existing clients :

- Keep updating the financial status of the client by obtaining the latest Income Tax Return, Networth Certificate, Annual Accounts etc.
- Update the details of the client like address, contact number, demat details, bank details etc.
- 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.
- Scrutinize minutely the records / documents pertaining to clients of special category (like Non-resident clients, High Net worth Clients, Trusts, Charities, NGOs, Companies having close family shareholding, Politically exposed persons of foreign origin, Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange offerings, etc.) or clients from high-risk countries



(like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud is highly prevalent.

- If Employee of Company introduces the client, exact relation of the client with such employee should be documented.
- Review the above details on an 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.

Risk-based Approach:- The customer due diligence measures should be on a risk sensitive basis. Accordingly the customer due diligence process should be different for a high risk category client as compared to those made applicable for clients appearing in low risk category.

High risk clients may cover the following:-

- a. Non resident clients
- b. High net worth clients,
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Companies having close family shareholdings or beneficial ownership
- e. Politically exposed persons (PEP) of foreign origin
- f. Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
- g. Companies offering foreign exchange offerings
- h. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.
- i. Non face to face clients
- j. Clients with dubious reputation as per public information available etc.



Medium risk clients may cover Individual and Non-Individual clients falling under the definition of Speculators, Day Traders.

Low risk clients may cover Senior Citizens, Salaried Employees and a major portion of clients who indulge in delivery based trading.

The above list is only illustrative and shall be amended as and when deemed fit. The risk profile also depends on trading pattern, payment pattern, financial status and background of the client.

Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)

Using our analytical skills and by exercising due precaution we need to monitor and report about the suspicious transactions:-

- ❖ Clients whose identity verification seems difficult or clients appears not to cooperate
- ❖ Clients in high-risk jurisdictions or clients introduced by other clients based in high risk jurisdictions;
- ❖ Substantial increases in business without apparent cause ;
- ❖ Clients transferring large sums of money to or from overseas locations with instructions for payment in cash
- ❖ Transfer of investment proceeds to apparently unrelated third parties
- ❖ Further, it should be ensured that there is no tipping off to the client at any level

Responsibilities of the Principal Officer:

1. The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.
2. The Principal Officer will be responsible for timely submission of Cash Transaction Report (CTR) and Suspicious Transaction Report (STR) to FIU.

Broad categories of reason for suspicion and examples of suspicious transactions are indicated as under:

(A) Identity of Client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities

(B) Suspicious Background

- Suspicious background or links with known criminals

(C) 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

(D) Activity in Accounts

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Pay in for a client coming from different accounts
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading

(E) Nature of Transactions

- Unusual or unjustified complexity
- No economic rationale or bona fide 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
- Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity

Steps must be taken to ensure that the securities bought under suspicious transactions are not returned to the client

(F) 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.

Retention of Records :- All necessary records on transactions, both domestic and international, should be maintained for the minimum period as required under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) 10 years at present and other legislations, Regulations or exchange bye-laws or circulars.

The information that needs to be maintained are:

- nature of the transactions
- amount of the transaction and the currency in which it was denominated



- date on which the transaction was conducted
- parties to the transaction

Specific information that needs to be stored are:

- all cash transactions of more than Rs.10.00 lakhs value or its equivalent in foreign currency
- all series of cash transactions integrally connected to each other which might have been, individually, valued at less than Rs.10.00 lakhs but the aggregated of such transactions might be over Rs.10.00 lakhs
- all suspicious transactions whether or not made in cash.

Deposits/withdrawals into or from any account, in any currency by way of third party cheques (or) pay orders (or) demand drafts (or) transfer from one account to another within

- Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, PAN Card copy, address proof copy, driving licenses or similar documents), account files and business correspondence should also be kept for the period as required statutorily.
- If any document is required for any investigative purpose, then the document should be retained till the conclusion of the audit / investigation.

Hiring policies and training with respect to anti-money laundering To have adequate screening procedures in place to ensure high standards when hiring employees. To identify the key positions within the organization structures having regard to the risk of money laundering and terrorist financing and the size of its business and ensure the employees taking up such key positions are suitable and competent to perform their duties. The Principal Officer will arrange to conduct regular training to all the employees to:

- ensure that the contents of the guidelines are understood
- develop awareness and vigilance to guard against money laundering and terrorist financing.

CASH TRANSACTIONS

All are required not to accept cash from the clients whether against obligations or as margin for purchase of securities or otherwise. All payments shall be received from the clients strictly by account payee crossed cheques drawn in favour of respective registered intermediary. The same is also required as per SEBI circular no. SMD/ED/IR/3/23321 dated November 18, 1993 and SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003.

Incase account payee cheques have been received from a bank account other than that captured in records the same can be accepted after ascertaining that the client is the first holder of the account. Relevant copies of the supporting documents should be sent to HO and details of such accounts should be captured in records.



Only in exceptional cases, bank draft/pay-order may be accepted from the client provided identity of remitter/purchaser written on the draft/pay-order matches with that of client else obtain a certificate from the issuing bank to prove that instrument has been drawn after debiting the bank account of the client .

WHAT TO REPORT

- 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 reason of suspicion.

WHEN TO REPORT

In terms of the PMLA rules, brokers and sub-brokers are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) 6th Floore, Hotel Samarat, Chanakyapuri, New Ddelhi-110021 within 7 working days of establishment of suspicious at the level of principal officer. **In view of the same, Branches/Departments/Sub-brokers are required to report the said transactions within 3 working days of establishment of suspicion to enable the Principal Officer to report the same to the Director, Financial Intelligence Unit-India (FIU-IND) within the stipulated time.**

OTHER IMPORTANT POINTS

Reasons for treating any transaction or a series of transactions as suspicious should be recorded. It should be ensured that there is no undue delay in arriving at such a conclusion. Utmost confidentiality should be maintained in submitting the information.

The reports may be transmitted by email/speed/registered post/fax at the Head Office addressed to the Principal Officer.

No restriction may be put on operations in the accounts where a Suspicious Transaction Report has been made.

It should be ensured that there is no tipping off to the client at any level.

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

Principal Officer Name Dhananjay G Upadhyay(Director)
Address 2nd Floor,Great Social Bldg, 60 Sir. P.M. Road,





Fort Mumbai 400 007
Contact number : 2266 0565/ 2261 2398
rmcmpi@rediffmail.com

RAMANIKLAL MOHANLAL CAPITAL MARKETS PVT. LTD

Policy on Unauthenticated News Circulation

Our employees are restricted from circulation of rumours or unverified information obtained from client, industry, any trade or other sources without verification.

The employees will have to seek prior approval from the compliance officer before forwarding any market related news received by them either in their official mail/personal mail/blog or in any other manner. If an employee fails to do so, he/she shall be deemed to have violated the various provisions contained in SEBI Act/Rules/Regulations etc. and shall be liable for disciplinary action.

The employees are not allowed to access to blogs/chat forums/messenger sites (called by this or any other nomenclature) etc.

26th March 2011, Mumbai.

