



KARUNA FINANCIAL SERVICES PRIVATE LIMITED

Policy on Anti Money Laundering Activities and fulfillment of obligations of Intermediaries under Prevention of Money Laundering Act, 2002

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PART I OVERVIEW

1. Introduction

- 1.1 **Karuna Financial Services Private Limited (KFSPL)** is a SEBI registered stock broking entity having membership of NSE, BSE. KFSPL is also a depository participant of CDSL and a SEBI registered Category.
- 1.2 The Guidelines as adopted by the Company sets out the steps that will be implemented to discourage and identify any money laundering or terrorist financing activities.
- 1.3 The relevance and usefulness of these guidelines will be kept under review and it may be necessary to revise /amend the same from time to time.

2. Back Ground

- 2.1 The Prevention of Money Laundering Act, 2002 came into effect from 1st July 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, Government of India.
- 2.2 As per the provisions of the Act, every 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:
 - a) All cash transactions of the value of more than Rs 10 lacs or its equivalent in foreign currency.
 - b) 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.
 - c) All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as d-mat account, security account maintained by the registered intermediary.
- 2.3 It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered. In case there is a variance in CDD/AML standards prescribed by SEBI and the regulators of the host country, branches/overseas subsidiaries of KFSPL shall adopt the more stringent requirements of the two.

3. Policies and Procedures to Combat Money Laundering and Terrorist financing

3.1 Guiding Principles

- 3.1.1 These guidelines have taken into account the requirements of the Prevention of the Money Laundering Act, 2002 as applicable to the activities of Karina Financial Services Private Limited (KFSPL) carried out as Share Broker, Depository Participant. We have considered the specific nature of our business,

organizational structure, type of customer and transaction, etc. to satisfy ourselves that the measures taken by us are adequate and appropriate to follow the spirit of the suggested measures in Part II and the requirements as laid down in the Prevention of Money Laundering Act, 2002.

3.2 Obligation to establish policies and procedures

3.2.1 KFSPL has tried to follow the international initiatives taken to combat drug trafficking, terrorism and other organized and serious crimes. KFSPL has tried to establish procedures of internal control aimed at preventing and impeding money laundering and terrorist financing. The said obligation has also been obligated under the Prevention of Money Laundering Act, 2002. In order to fulfill these requirements, KFSPL is putting in place a system of identifying, monitoring and reporting suspected money laundering or terrorist financing transactions to the law enforcement authorities.

3.2.2 In light of the above, Directors & Senior management of the KFSPL are fully committed to establishing appropriate policies and procedures for the prevention of money laundering and terrorist financing and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. KFSPL has decided to:

- a) issue a statement of policies and procedures, on a group basis where applicable, for dealing with money laundering and terrorist financing reflecting the current statutory and regulatory requirements;
- b) ensure that the content of these guidelines is understood by all staff members;
- c) regularly review the policies and procedures on prevention of money laundering and terrorist financing to ensure their effectiveness. Further in order to ensure effectiveness of policies and procedures, the Board of Directors have decided to review framed policies and procedures from time to time;
- d) adopt customer acceptance policies and procedures which are sensitive to the risk of money laundering and terrorist financing;
- e) undertake customer due diligence (“CDD”) measures to an extent that is sensitive to the risk of money laundering and terrorist financing depending on the type of customer, business relationship or transaction; and
- f) have in system a place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- g) develop staff members’ awareness and vigilance to guard against money laundering and terrorist financing.

3.2.3 Policies and procedures to combat ML shall cover:

- a) Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;
- b) Client acceptance policy and client due diligence measures, including requirements for proper identification;
- c) Maintenance of records;
- d) Compliance with relevant statutory and regulatory requirements;
- e) Co-operation with the relevant law enforcement authorities, including the timely disclosure of information; and
- f) Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular

transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff, of their responsibilities in this regard. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors

PART II DETAILED GUIDELINES

4. Written Anti Money Laundering Procedures

KFSPL has adopted followed the written procedures to implement the anti money laundering provisions as envisaged under the Anti Money Laundering Act, 2002 on 27.07.2010 and have decided to revise the same in compliance of SEBI direction issued on 04.07.2018. The revised procedures include inter alia, 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

5. Customer Due Diligence

5.1 The customer due diligence ("CDD") measures comprise the following:

- (a) Obtaining 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. (Checking on person in whose favor power of attorney for conducting business / transactions; checking on second account holder's identity is compulsory)
 - (b) Verify the customer's identity using reliable, independent source documents, data or information; (checking identity proof from original documents of reliable nature like PAN Card, Passport etc)
 - (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; (verify the signature on different documents like cheques, DIS slips with signature of the client to confirm authority of the person transacting/client)
- 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 intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:
 - aa) 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.

bb) In cases where there exists doubt under clause (aa) 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.

cc) Where no natural person is identified under clauses (aa) or (bb) above, the identity of the relevant natural person who holds the position of senior managing official.

- ii. For client which is a trust: Where the client is a trust, the intermediary 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.
 - iii. 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.
 - iv. Applicability for foreign investors: Intermediaries dealing with foreign investors' may be guided by the clarifications issued vide SEBI circulars CIR/MIRSD/11/2012 dated September 5, 2012, CIR/ MIRSD/ 07/ 2013 dated September 12, 2013 and CIR/IMD/FPIC/123/2016, for the purpose of identification of beneficial ownership of the client.
 - v. The Stock Exchanges and Depositories shall monitor the compliance of the aforementioned provision on identification of beneficial ownership through half-yearly internal audits. In case of mutual funds, compliance of the same shall be monitored by the Boards of the Asset Management Companies and the Trustees and in case of other intermediaries, by their Board of Directors
- (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 (c); and
 - (e) Understand the ownership and control structure of the client.
 - (f) 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. (Reinforcing internal checking system of documents submitted at the time of client registration with subsequent changes and updating client information by conducting periodical documents verification and audit thereof)
 - (g) Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

5.2 Policy for acceptance of clients:

- 5.2.1 KFSPL has decided to develop customer acceptance policies and procedures that aim 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 such policies and procedures, it is in a better position to apply customer due diligence on a risk sensitive basis depending on the type of customer business relationship or transaction. The following safeguards are implemented / taken before accepting a client:
- a) No account is opened in a fictitious / benami name or on an anonymous basis.
 - b) 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) will be entertained only by the directors and no other employee will have right to register them without approval from the directors.
 - c) No client will be registered till all requisite documentation requirements and other information to be collected in respect of different classes of clients depending on 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.
 - d) No account will be opened where it is not possible to apply appropriate client's due diligence measures / KYC policies like actual identity of the client, information provided to the company is suspected to be non genuine, perceived non-co-operation of the client in providing full and complete information.
 - e) The employees are also advised to stop business with such a person and file a suspicious activity report to the senior management. Management is also required to evaluate whether there is suspicious trading in determining whether to freeze or close the account. The managers are also asked to be cautious to ensure that it does not return securities of money that may be from suspicious trades.
 - f) Management is informed to consult the relevant authorities (NSE/SEBI/CDSL) in determining what action it should take when it suspects suspicious trading.
 - g) Under no circumstances the clients are permitted to act on behalf of another person / entity. Compliance Officer is directed to ensure that guideline for all client account other than ordered specifically by the directors should be followed in the manner in which they should be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity / value and other appropriate details fixed.
 - h) Operator executing the order/ transaction is required to verify the person's authority to act on behalf the customer should also be carried out at the time of receiving order.
 - i) Operator under which client will be placing his order is instructed to put necessary checks and balance before executing orders.
 - j) Compliance officer is instructed to carry out necessary checks and balance before opening an account so as to ensure that the identity of the client 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) The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT)

5.3 Risk-based Approach

- 5.3.1 a) The KFSPL has decided to follow risk-based approach to its client by categorizing its client into three categories of 'Low', 'Medium' and 'High' risk client depending on circumstances such as the customer's background, type of business relationship or transaction etc. and period for which amount is due from the client. KFSPL has authorized compliance officer to apply each of the customer due diligence measures on a risk sensitive basis and report all serious flow to the Principal Officer. A monthly analysis of client fund position (debtors/creditors) along with volume of

transactions is implemented to ensure proper implementation of the policy by the compliance officer.

- b) Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a lowrisk.

5.3.2 Risk Assessment

- i. The KFSPL has started to carry out risk assessment 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.
- ii 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.

5.4 Clients of special category (CSC):

Such clients include 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 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.
- The above-mentioned clients cannot be entertained by the compliance or any other officer of the company except Directors of the company, who will run the check programmed on such clients before accepting or rejecting their registration.

5.5 Client identification procedure:

Our 'Know your client' (KYC) policy clearly spells out the client identification procedure to be carried out at different stages i.e. while establishing the KFSPL – client relationship, while carrying out transactions for the client or when the KFSPL has doubts regarding the veracity or the adequacy of previously obtained client identification data.

The KYC / client identification procedures have been specified and strengthened by SEBI and NSE / CDSL from time to time. A specific do and do not has been suggested, which is followed in full by KFSPL.

In order to further strengthen the KYC norms and identify every participant in the securities market with their respective PAN thereby ensuring sound audit trail of all the transactions, PAN has been made sole identification number for all participants transacting in the securities market and further 'in-person' verification mode has been included by us without which no client is registered.

KFSPL has put in place necessary procedures to determine whether their existing/potential client is a politically exposed person (PEP). Such procedures include seeking additional information from clients and also accessing publicly available information through internet.

KFSPL has directed all its employees to obtain senior management approval for establishing business relationships with Politically Exposed Persons. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, compliance officer is directed to obtain senior management approval to continue the business relationship. KFSPL has asked its accounting employees to take reasonable measures to verify source of funds of clients identified as PEP.

KFSPL has directed that the client should be identified by the employees by using reliable sources including documents / information. The employees 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 Compliance Officer and other regulatory / enforcement authorities in future that due diligence was observed by the employees of KFSPL in compliance with the Guidelines. Each original document is required to 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 by the employees. SEBI/NSE/CDSL has also prescribed the minimum requirements relating to KYC from time to time and the same is being implemented to enforce regulatory requirement.

A copy of the above client identification programme shall be forwarded to the Director, FIU-IND.

We are adopting the risk-based approach at the time of establishing business relationship with a client but no exemption from obtaining the minimum information/documents from clients is advised by us.

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

- i. KFSPL 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.
- 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. Further, it is clarified that the registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

6. Record Keeping

- 6.1 KFSPL is ensuring the compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PML Act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.
- 6.2 KFSPL is maintaining such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior.
- 6.3 KFSPL has asked its employees to ensure the availability of the following information and for which proper documents are safely kept with the respective departments.
- (a) the beneficial owner of the account;
 - (b) the volume of the funds flowing through the account; and
 - (c) for selected transactions:
 - 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.
- 6.4 KFSPL has taken steps to have backups of all old data & current data with necessary print outs to ensure that all client based information and transaction records and information are available on a timely basis to the competent investigating authorities. It has asked its employees and respective managers to retain certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed that required under the SEBI Act, Rules and Regulations framed there-under PMLA 2002, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.
- 6.5 More specifically, all the intermediaries shall put in place a system of maintaining proper record of transactions prescribed under Rule 3 of PML Rules as mentioned below:
- a) all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
 - b) all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;
 - c) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
 - d) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

7. Information to be maintained

KFSPL has implemented a system of reporting information in respect of transactions referred to in Rule 3 of PMLA Rules by taking print out at reasonable intervals for checking by higher management:

- I. the nature of the transactions;

- II. the amount of the transaction and the currency in which it denominated;
- III. the date on which the transaction was conducted; and
- IV. the parties to the transaction.

8. Retention of Records

- 8.1 KFSPL has a policy of retaining its legal, accounting, transaction records for a minimum period of 8 years and in cases where documents or records are required for any specific purposes the same are kept for a period longer than as instructed by the management. Further, it has directed the employees and respective managers to retain the records mentioned in Rule 3 of PMLA Rules to maintain and preserve "*fora period of five years*". from the date of cessation of the transactions between the client and intermediary.
- 8.2 As stated in para 5.5, KFSPL has already formulated the client identification program containing the requirements as laid down in Rule 9 and such other additional requirements that it considers appropriate. "Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later."
- 8.3 The following documents are retained for a period specifically fixed by the KFSPL board:
- (a) All necessary records on transactions, both domestic and international, are maintained at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well as SEBI Act, 1992) and other legislations, Regulations or exchange by-laws or circulars.
 - (b) "Registered intermediaries shall maintain and preserve the record of documents evidencing the identity of its clients and beneficial owners (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of five years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later."
- 8.4 KFSPL has asked its officers / managers to preserve all records relating to all ongoing investigations 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.
- 8.5 **Records of information reported to the Director, Financial Intelligence Unit - India (FIU-IND):** Registered intermediaries shall maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the intermediary.

9. Monitoring of transactions

- 9.1 KFSPL has a policy of regular monitoring of transactions for ensuring effectiveness of the Anti Money Laundering procedures. All transactions are monitored on line during trading hours and are subject to restriction fixed in the client master.
- 9.2 KFSPL, at the day end, reviews all complex, unusually large transactions / patterns which appear to have no economic purpose. It reconfirms the identity of the client in such cases and payment pattern / margin is also cross verified. The background

including all documents / office records / memorandums / clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI / stock exchanges / FIUIND / other relevant Authorities, during audit, inspection or as and when required. These records are required to be "maintained and preserved for a period of five years from the date of transaction between the client and intermediary" as is required under the PMLA.

- 9.3 Under the rules and regulations of the stock exchange all records of the transactions are preserved and maintained and also section 12 of the PMLA 2002 is complied with. Transactions of suspicious nature or any other transaction notified under section 12 of the act is reported to the Principal Officer and in turn are required to be informed to appropriate law authority. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.
- 9.4 KFSPL has authorized its Principal Officer to randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not on a half yearly basis seeing the turnover pattern of its business.

10. Suspicious Transaction Monitoring & Reporting

- 10.1 KFSPL has undertaken to take appropriate steps to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions by regularly monitoring the transaction at day end.
- 10.2 The following list of circumstances which may be in the nature of suspicious transactions is given below and is taken on record by the KFSPL board. This list helps the executing officers in the company to monitor the transaction under PMLA rules.
- a) Clients whose identity verification seems difficult or clients appears not to cooperate
 - b) Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing / business activity;
 - c) Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
 - d) Substantial increases in business without apparent cause;
 - e) Unusually large cash deposits made by an individual or business;
 - f) Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
 - g) Transfer of investment proceeds to apparently unrelated third parties;
 - h) Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks / financial services, businesses reported to be in the nature of export-import of small items.
- 10.3 All suspicion transaction are required to be immediately notified to the Principal Officer of the company. The same are required to given in writing to the Principal Officer along with related documents and ledger copy of the account. Employees are instructed that they should ensure that there is continuity in dealing with the client as normal until told otherwise and the client should not be told of thereport/suspicion. In exceptional circumstances, principal officer at his discretion may not give consent to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.
- 10.4 It is likely that in some cases transactions are abandoned /aborted by client on being asked to give some details or to provide documents. The Principal Officer

and employees are instructed to report all such attempted transactions in STRs, even if not completed by client, irrespective of the amount of the transaction.

- 10.5 Clause 2.2.4 (g) of this Master Circular categorizes clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'CSC'. Intermediaries are directed that such clients shall also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc

10.6 List of Designated Individuals/ Entities

An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>. Registered intermediaries are directed to ensure that accounts are not opened in the name of anyone whose name appears in said list. Registered intermediaries shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU- IND.

10.7 Procedure for freezing of funds, financial assets or economic resources or related services

- i) 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.
- ii) 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.
- iii) The stock exchanges, depositories and registered intermediaries shall ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated August 27, 2009 as listed below
 - a) On receipt of the updated list of individuals/ entities subject to UN sanction measures (hereinafter referred to as 'list of designated individuals/ entities') from the Ministry of External Affairs (MHA)'; SEBI will forward the same to stock exchanges, depositories and registered intermediaries for the following purposes
 - j) To maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.
 - ii. In the event, particulars of any of customer/s match the particulars of designated individuals/entities, stock exchanges, depositories and intermediaries shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer on their books to the Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No.011-

23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.

- iii. Stock exchanges, depositories and registered intermediaries shall send the particulars of the communication mentioned in (ii) above through post/fax and through e-mail (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Officer on Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU-IND.
 - iv) In case the aforementioned details of any of the customers match the particulars of designated individuals/entities beyond doubt, stock exchanges, depositories and registered intermediaries would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.
 - v) Stock exchanges, depositories and registered intermediaries shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph 2.9.2 (a) (ii) above carried through or attempted, as per the prescribed format.
- b) On receipt of the particulars as mentioned in paragraph 2.9.3 (a) (ii) above, IS-I Division of MHA would cause a verification to be conducted by the State Police and /or the Central Agencies so as to ensure that the individuals/ entities identified by the stock exchanges, depositories, registered intermediaries are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by stock exchanges, depositories, registered intermediaries are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.
- c) In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND. The order shall take place without prior notice to the designated individuals/entities.
- d) Implementation of requests received from foreign countries under U.N. Securities Council Resolution 1373 of 2001**
- i. U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities.
 - ii. To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA nodal officer for IS-I Division for freezing of funds or other assets.
 - iii. The UAPA nodal officer of IS-I Division of MHA, shall cause the request to be examined, within five working days so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be

electronically forwarded to the nodal officer in SEBI. The proposed designee, as mentioned above would be treated as designated individuals/entities.

iv. Upon receipt of the requests from the UAPA nodal officer of IS-I Division, the list would be forwarded to stock exchanges, depositories and intermediaries and the procedure as enumerated at paragraphs 2.9.2 (a) and (b) shall be followed.

v. The freezing orders shall take place without prior notice to the designated persons involved.

e) Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person

i. Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to the concerned stock exchanges/depositories and registered intermediaries. The stock exchanges/depositories and registered intermediaries shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 5(ii) above within two working days. The Joint Secretary (IS-I), MHA, being the nodal officer for (IS-I) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned stock exchanges, depositories and registered intermediaries. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of IS-I Division shall inform the applicant.

f) Communication of Orders under section 51A of Unlawful Activities (Prevention) Act.

i. All Orders under section 51A of the UAPA relating to funds, financial assets or economic resources or related services, would be communicated to stock exchanges, depositories and intermediaries through SEBI.

11. Reporting to Financial Intelligence Unit-India

11.1 In terms of the PMLA rules, KFSPL advises its Principal Officer to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

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

11.2 Principal Officer is directed to ensure that transactions are reported in reporting requirements and formats as prescribed by the authorities. The reports must be divided into two parts- Manual Formats and Electronic Formats.

The detailed instructions for filing all types of reports are given in the instructions part of the related formats issued by the SEBI, it should ensure that:

- i. The cash transaction report (CTR) (wherever applicable) for each month must be submitted to FIU-IND by 15th of the succeeding month.
 - ii. The Suspicious Transaction Report (STR) should be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. 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.
 - iii. The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;
 - iv. Utmost confidentiality should be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed / registered post / fax at the notified address.
 - v. No nil reporting needs to be made to FIU-IND in case there are no cash/suspicious transactions to be reported.
 - vi. The Non-Profit Organization Transaction Reports (NTRs) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- 11.3 Managers are instructed not to put any restrictions on operations in the accounts where an STR has been made. All employees (including directors) are prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND.

12. Designation of an officer for reporting of suspicious transactions

12.1 To ensure proper discharge legal obligations to report suspicious transactions to the authorities, Mr Koushik Banerjee & Mr. Swarup Dutta, appointed as the Principal Officer & Compliance Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions.

12.2 Names, designation and addresses (including e-mail addresses) of ‘Principal Officer’ including any changes therein will be intimated to the Office of the Director-FIU.

13. Appointment of a Designated Director

13.1 In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under: “Designated Director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes — (i) the Managing Director or a Whole-time Director duly authorized by the Board of Directors if the reporting entity is a company, (ii) the managing partner if the reporting entity is a partnership firm, (iii) the proprietor if the reporting entity is a proprietorship concern, (iv) the managing trustee if the reporting entity is a trust, (v) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated

association or a body of individuals, and (vi) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above."

13.2 In terms of Section 13 (2) of the PML Act (as amended by the Prevention of Money-laundering (Amendment) Act, 2012), the Director, FIU-IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the intermediary to comply with any of its AML / CFT obligations. As a matter of principle, KFSPL appoints Mr. Sandeep Tekriwal as the Designated Director so as to take necessary disciplinary actions as the situation may arise.

13.3 Registered intermediaries shall communicate the details of the Designated Director, such as, name, designation and address to the Office of the Director, FIU-IND.

14. Employees' Hiring / Employee's Training / Investor Education

14.1 Hiring of Employees

KFSPL has adopted a system of adequate screening procedures in place to ensure high standards when hiring employees. KFSPL does not appoint any employees without good references. It also runs a check program on all its employees' specifically new employees. Proper identification proofs are obtained and old references verified.

14.2 Employees' Training

KFSPL has a policy of training its employees with regard to PMLA and also risk in the business carried on by it with regard to stock broker / DP. Specific employees are given training of their respective work or all asked to appear in the related exams / training conducted by NSE / MCX/CDSL.

14.3 Investors Education

All new Clients are made aware of Implementation of AML / CFT measures in the company and all Investors before registration undergo 'in-person' verification. They are also required to bring all original documents before their application for registration as client is accepted. Employees are also instructed to check independently the client related information like PAN card from Income Tax site etc.

15. List of Designated Individuals/Entities

15.1 An updated list of individuals and entities which are subject to various Sanction measures such as freezing of assets/accounts, denial of financial Services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) as appearing at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>. KFSPL shall ensure that accounts are not opened in the name of anyone whose name appears in said list. KFSPL shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU-IND.

16. Procedure for freezing of funds, financial assets or economic resources or related services

16.1 KFSPL is aware that Under section 51A of Unlawful Activities (Prevention) Act, 1967(UAPA), relating to the purpose of prevention of, and for coping the

terrorist activities was brought into effect through UAPA Amendment Act, 2008. 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. KFSPL shall act accordingly as per directions in this regard.

The Board of Directors in its meeting on 17.01.2023 has adopted these revised policies (as directed by SEBI circular no. SEBI/HO/MIRSD/DOP/CIR/P//2019/113 dated 15.10.2019) to be implemented & followed by the Company for compliance under Anti Money Laundering activities and fulfillment of obligations of Intermediaries under Prevention of Money Laundering Act, 2002 and rules framed there under

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