



# ANTI MONEY LAUNDERING POLICY

Adopted By

**HEM SECURITIES LIMITED (HSL)**

MEMBER: BSE LIMITED (BSE)

DEPOSITORY PARTICIPANT: CENTRAL DEPOSITORY SERVICES (INDIA) LTD.

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## INDEX

<b>SR. NO.</b>	<b>PARTICULARS</b>	<b>PAGE NO.</b>
1.	PREFACE	1
2.	OBJECTIVES OF THE POLICY	2
3.	WHAT IS MONEY LAUNDERING	2
4.	PREVENTION OF MONEY LAUNDERING ACT, 2002	2
5.	FINANCIAL INTELLIGENCE UNIT (FIU) – INDIA	2
6.	PREVENTION OF MONEY LAUNDERING POLICY OF HSL	3
7.	CUSTOMER DUE DILIGENCE MEASURES	3
8.	CUSTOMER ACCEPTANCE POLICY/ POLICY FOR ACCEPTANCE OF CLIENTS	5
9.	CUSTOMER IDENTIFICATION POLICY AND PROCEDURES (FOR NEW CLIENTS)	6
10.	RISK PROFILING OF THE CLIENT (RISK BASED APPROACH)	10
11.	CLIENTS OF SPECIAL CATEGORY (CSC)	10
12.	RISK ASSESSMENT	11
13.	MONITORING AND REPORTING OF SUSPICIOUS TRANSACTIONS	12
14.	REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA	15
15.	PRINCIPAL OFFICER: DESIGNATION AND DUTIES	16
16.	APPOINTMENT OF DESIGNATED DIRECTOR	16
17.	RECORD KEEPING	17
18.	INFORMATION TO BE MAINTAINED	18
19.	RETENTION OF RECORDS	18
20.	MONITORING OF TRANSACTIONS	19
21.	LIST OF DESIGNATED INDIVIDUALS/ ENTITIES	20
22.	PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES	20
23.	EMPLOYEES' HIRING/ EMPLOYEE'S TRAINING	23
24.	INVESTOR EDUCATION	24
25.	REVIEW OF POLICY	24



## **1. PREFACE**

This Policy has been prepared in accordance with Prevention of Money Laundering Act, 2002 (PMLA Act). This policy also takes into account the recommendations made by the Financial Action Task Force on Anti- Money Laundering Standards, SEBI Circulars & Guidelines on Anti Money Laundering and other Circulars as issued by the Regulatory Authorities from time to time w.r.t. the obligations of the intermediaries registered under Section 12 of SEBI Act, 1992.

As per 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.

The earlier policy of the Company framed and reviewed on May 09, 2019 has been reviewed in accordance with SEBI Circulars. In pursuance of applicable circulars and the provisions of the Prevention of Money Laundering Act, 2002 (PMLA) the policy of the company is to prohibit and actively prevent money laundering and any activity that facilitates money laundering or terrorist financing.



## **2. OBJECTIVES OF THE POLICY**

1. To protect the Company from being used for Money Laundering.
2. To follow thorough "Know Your Customer" (KYC) policies and procedures in the day-to-day business.
3. To take appropriate action, once suspicious activities is detected, and make report to designated authorities in accordance with applicable law/ laid down procedures.
4. To comply with applicable laws as well as norms adopted internationally with reference to Money Laundering.
5. To take adequate and appropriate measures to follow the spirit of the PMLA.

## **3. WHAT IS MONEY LAUNDERING.**

Money Laundering can be defined as engaging in financial transactions that involve income derived from criminal activity, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/ origins.

## **4. PREVENTION OF MONEY LAUNDERING ACT, 2002**

- 4.1 Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA, 2002 and the Rules notified there under came into force with effect from July 1, 2005.
- 4.2 The PMLA, 2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to **verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU)- INDIA.**

## **5. FINANCIAL INTELLIGENCE UNIT (FIU) – INDIA**

- 5.1 The Government of India set up Financial Intelligence Unit- India (FIU- IND) on November 18, 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.
- 5.2 FIU- IND has been established as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and stretching efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.



## 6. PREVENTION OF MONEY LAUNDERING POLICY OF HSL

HSL has resolved that it would, as an internal policy, take adequate measures to prevent money laundering and shall put in place a frame- work to report cash and suspicious transactions to FIU as per the guidelines of PMLA Rules, 2002.

HSL will 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 termination of an account or business relationship between the client and intermediary.

This Policy represents the basic standards of Prevention of Money Laundering and Combating Terrorism Financing procedures within HSL. The purpose of this policy is to set out the prevention of money laundering commitments and obligations.

This policy is based on the provision of the "**Prevention of Money Laundering Act, 2002** and circulars issued by SEBI 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.

## 7. CUSTOMER DUE DILIGENCE MEASURES

7.1 The main aspect of this policy is the **Customer Due Diligence Process** which includes:

- Obtaining sufficient information from the client in order to identify who is the actual beneficial owner of the securities or on whose behalf transaction is conducted.
- Verify the customer's identity using reliable, independent source, document, data or information.
- Identifying the beneficial ownership and control structure of the Client i.e. to determine which individual(s) ultimately own(s) or control(s) the client and/ or the person on whose behalf a transaction is being conducted:
  - i. **For clients other than individuals or trusts:** Where the client is a company, partnership or unincorporated association/ body of individuals, we identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons through the following information:
    - a) 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:

- aa. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- bb. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- cc. 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.

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

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

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

**ii. In case of a trust:** Where the client is a trust, we 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, we do not identify and verify the identity of any shareholder or beneficial owner of such companies as it is not necessary.

- Understanding the ownership and control structure of the client.
- Ongoing due diligence and scrutiny, i.e. Performing 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 knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds.
- Updation of the documents, data or information of the Clients and beneficial owners collected under CDD Process on annual basis.



## 7.2 Customer Due Diligence Process includes following specific parameters:

- Policy for Acceptance of Clients
- Client Identification Procedure
- Risk Profiling of Clients (Risk Based approach)
- Clients of Special Category (CSC)
- Risk Assessment

## 8. CUSTOMER ACCEPTANCE POLICY/ POLICY FOR ACCEPTANCE OF CLIENTS

**In person verification of each client:** We accept clients, with whom we are able to meet personally. The client should visit our office/ branch or concerned official may visit the client at their residence/ office premises to get the necessary documents filled in and get it signed. We prefer that the new client is introduced by an existing client or Sub Broker/ AP/ Remisier. A Client who opts for Online Portal facility to open their Account is verified through Web- Cam.

**Acceptance of Clients on whom we are able to apply appropriate KYC procedures:** We use to obtain complete information from the client. It is ensured that the initial forms taken by the client are filled in completely and signed by the Client itself and not by the POA holder. All photocopies submitted by the client are checked against original documents without any exemption. We ensure that 'Know Your Client' guidelines are followed with strict adherence. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.

**Non- Acceptance of Clients with identity matching persons known to have criminal background:** We use to check whether the client's identify 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 enforcement/ regulatory agency worldwide.

**Our Team Members check following websites before admitting any person as Client:**

- [www.sebi.gov.in](http://www.sebi.gov.in) for prosecution database and vanishing Companies Database.
- <http://www.fatf-gafi.org>

**Be careful while accepting Clients of Special Category:** We take care while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed shareholding/ ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, clients with dubious reputation, Current/ Former senior high profile politician, etc.



**Non acceptance of Client Registration forms which are suspected to be fictitious:** We ensure that no account is being opened in a fictitious/ benami name or on an anonymous basis.

**Do not compromise on submission of mandatory information/ documents:** We ensure that Client's account is opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines. We do not open the account where the client refuses to provide information/ documents and we have sufficient reason to reject the client towards this reluctance.

All documents, data or information of all clients and beneficial owners collected under the CDD process are updated on annual basis.

## **9. CUSTOMER IDENTIFICATION POLICY AND PROCEDURES (FOR NEW CLIENTS)**

**Objective:** To have a mechanism in place to establish identity of the client along with proof of address to prevent opening of any account which is fictitious/ benami/ anonymous in nature.

Identity of the client is verified by using reliable, independent source documents, data or information such as SEBI penalty list, [www.watchoutinvestors.com](http://www.watchoutinvestors.com), List of persons provided by CDSL, SEBI from time to time as suspicious persons by their circulars, List provided by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) available at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>, <http://www.un.org/sc/committees/1988/list.shtml>, face to face meeting.

Copies of the following documents are obtained as a part of customer identification procedure for new clients:

### **9.1 In case of Individuals:**

**Copy of the PAN card:** PAN card is mandatory and is most reliable document as only one card is issued to an individual and we can independently check its genuineness through IT website.

**Copy of Identity Proof:** PAN Card itself can serve as proof of identity. However, in case PAN card carries an old photograph of the holder, which does not match current facial features of the client, we take other identity proof viz. Voter's Identity card, UID (Aadhaar Card), Driving License, Passport, Ration Card or any Government/ PSU/ Bank issued photo identity card.

**Address Proof:** For valid address proof we can rely on Voter's Identity Card, Passport, Bank Statement, Ration card Driving License and latest Electricity/ telephone bill in the name of the client.

**Bank Proof:** Copy of cancelled cheque with name printed on it OR if the name is not printed on cheque then copy of bank pass book or latest statement is to be taken.

**Demat Proof:** Copy of DP Client Master or latest DP holding statement.





### **9.2 In case of HUF:**

- Recent passport size photographs of KARTA of HUF.
- PAN Card of HUF
- PAN Card of Karta
- PAN Card of any one member of HUF
- Address Proof of HUF in the name of HUF (Non Individual)- Certified Copy of Bank Statement/ Bank Passbook of latest 2 months
- Address Proof of Karta (Individual)
- HUF Declaration

### **9.3 In case of Corporate:**

- Copy of the Registration/ Incorporation Certificate
- Copy of the Memorandum & Articles of the Association
- Copy of the PAN Card of Company
- Copy of the latest audited Annual Statements
- Latest Net worth Certificate
- Latest Income Tax Return filed
- Board Resolution for appointment of the Authorized Person who will operate the account.
- PAN Card and Proof of address of Directors
- PAN Card and Proof of Address of Authorized Person.
- Bank Proof
- Demat Proof

### **9.4 In case of Partnership Firm:**

- Registration certificate
- Partnership Deed
- PAN card of partners
- Authorization letter for the person authorized to open and operate the account



- Proof of identity and address of the authorized person
- Annual statement/ returns of the partnership firm
- Bank Proof
- Demat Proof

#### **9.5 In case of a Trust:**

- Certificate of Registration
- Recent passport size Photographs of all Trustees
- PAN card of Trust
- PAN Card of all Trustees
- Address Proof of the Trust
- Address Proof of Trustees
- Proof of Bank Account of the Trust
- Demat Proof of the Trust
- Copy of Balance Sheets for last 2 financial years (to be submitted every year)
- Copy of Income Tax Return (ITR) of last Two Years.
- List of Authorized Signatories along with their Photos & Signature on Letter head of the Trust
- List of Authorized Signatories along with their Photos & Signature on Letter head of the Trust
- List of Trustees along with their Signatures on letter head of the trust
- Copy of Trust Deed

#### **9.6 In case of NRI account-** Following documents are required for Repatriable/ Non-Repatriable NRI Account:

- Copy of the PIS permission issued by the bank
- Copy of the Passport
- Copy of PAN Card
- Copy of UID (Aadhaar Card)



- Proof of Overseas address and Indian address
- Proof of Bank Account- **Portfolio Investment Scheme (PIS) / NRE/ NRO Account**
- Copy of the Demat Statement
- A declaration duly signed by the NRI that he/ she has complied with, and will continue to comply with, FEMA regulations and other applicable laws.
- Applicant's undertaking that whenever there is a change in the residential address, the Beneficial Owner will inform accordingly.

If the account is handled through a mandate holder, copy of the valid POA/ mandate.

**9.7** We also rely on a third party for the purpose of identification and verification of the identity of a client and 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. We ensure that such third party is regulated, supervised or monitored for and have measures in place for compliance with CDD & record keeping requirements in line with the obligations under PML Act/ SEBI Act (if required).

We ensure the compliance with the following requirements while putting in place a Client identification Procedure (**CIP**):

- A) We have appropriate risk management systems to determine whether the client or potential client or the beneficial owner of such client is a politically exposed person or not. We seek the relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs.
- B) Approval of Senior Management is obtained before establishing business relationship with PEPs. Where a client has been accepted and that client or beneficial owner subsequently found to be or becomes PEP, we obtain senior management approval to continue the business relationship.
- C) We take reasonable measures to verify the sources of funds as well as the wealth of the clients and beneficial owners identified as PEP.
- D) We ensure that identity of the client is identified by using reliable sources including documents/ information submitted by them and we also obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of relationships.

No exemption from carrying out CDD exists in respect of any category of clients. In other words, no minimum investment threshold/ category-wise exemption is made available for carrying out CDD measures by us.



## 10. RISK PROFILING OF THE CLIENT (RISK BASED APPROACH)

**10.1** Classification of the client is done on the basis of the risk they are likely to pose. The aim is to identify the clients who are likely to pose a higher than average risk of money laundering or terrorist financing. For this purpose, we classify the clients as **LOW RISK, MEDIUM RISK AND HIGH RISK CLIENTS**. By classifying the clients, we will be in a better position to apply appropriate customer due diligence process i.e. for high risk client we have to apply higher degree of due diligence. The factors of risk perception depend on client's location, nature of business activity, turnover, nature of transaction, manner of payment etc.

**10.2** In order to achieve this objective, all clients of the branch have been classified in the following category:

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

**10.2.1 Category A** clients are those who pose low or nil risk. They are clients who have respectable social and financial standing. These are the clients who make payment on time.

**10.2.2 Category B** clients are those who are intra-day trading clients or speculative clients.

**10.2.3 Category C** clients are clients other than above two category clients and includes Clients of Special Category (CSC) such as NRI, Trust, Charities, Non- Governmental Organization (NGOs) and organization receiving donations, Politically exposed Persons (PEP), Companies offering foreign exchange offerings, Clients of High Risk Countries, Non face to face clients, clients with dubious reputation as per public information available, Countries published by the FATF on its website ([www.fatf-gafi.org](http://www.fatf-gafi.org))

**10.3** We take special care while monitoring the transactions of B and C category clients.

**10.4** Any change in the risk profile of the client/ mandate holder, is ascertained by the concerned branch officials and reported to the Business Head immediately.

## 11. CLIENTS OF SPECIAL CATEGORY (CSC)

The following types of clients are classified as CSCs:

- (i) Non- Resident Clients,
- (ii) High Net- Worth Clients,



- (iii) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations,
- (iv) Companies having close family shareholdings or beneficial ownership,
- (v) Politically Exposed Persons (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/ judicial/ military officers, senior executives of state-owned corporations, important political party officials, etc.
- (vi) Politically Exposed Persons (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The norms applicable to PEP will also be applied to the accounts of the family members or close relatives of PEPs.
- (vii) Companies offering foreign exchange offerings,
- (viii) Clients in high risk countries where existence/ effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, countries against which government sanctions are applied, countries reputed to be any of the following– Havens/ sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent,
- (ix) Non face to face clients,
- (x) Clients with dubious reputation as per public information available etc.

The account of special category clients is opened after taking approval of senior management persons. As and when the category of any client gets changed such as if a client becomes PEP, we ensure the proper monitoring of such clients which shall subject to the approval of senior management or any designated person appointed by management.

## **12. RISK ASSESSMENT**

We also carry out risk assessment to identify, assess and take effective measures to mitigate the money laundering and terrorist financing risk with respect to our clients, countries or geographical areas, nature and volume of transactions, payment methods used by the clients etc. We 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.



Risk assessment is carried out considering 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

### **13. MONITORING AND REPORTING OF SUSPICIOUS TRANSACTIONS**

We ensure that suspicious transactions, whether or not made in cash, are recognized and details of the same are reported at time and also ensure that there is no undue delay in analysis and arriving at a conclusion.

#### **13.1 What is a Suspicious Transaction?**

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 circumstance of unusual or unjustified complexity; or
- Appears to have no economic rationale or bona fide purpose.

#### **13.2 Reasons for Suspicious:**

##### ➤ **Identity of client:**

- False Identification documents or clients whose identity verification seems difficult or clients that appear not to cooperate;
- Clients based in high risk jurisdictions;
- Non-face to face client;
- Doubt over the real beneficiary of the account;
- Receipt of welcome kit undelivered at the address given by the Client.

##### ➤ **Suspicious Background:**

**Suspicious background or links with criminals.**

##### ➤ **Multiple Accounts:**

Large number of accounts having common parameters such as common partners/ directors/ promoters/ address/ email address/ telephone numbers/ introducer or authorized signatory/ unexplained transfers between such multiple accounts.



➤ **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.
- Substantial increases in business without apparent cause.
- Unusual transactions by CSCs and businesses undertaken by offshore banks/ financial services, businesses reported to be in the nature of export- import of small items  
Identification documents which could not be verified.

➤ **Nature of Transactions:**

- Unusual or unjustified complexity.
- No economic rationale or bonafide purpose.
- Sources of funds are doubtful.
- Appears to be case of insider trading.
- Purchases made on own account transferred to a third party through an off market transactions through DP account.
- Attempted transfer of investment proceeds to apparently unrelated third parties.
- Clients transferring large sums of money to or from overseas locations with instructions for payment in cash.
- 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 client's apparent standing/ business activity.

➤ **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 client's apparent financial standing.
- Inconsistency in the payment pattern by client.
- Large deal which is not at market price or prices appear to be artificially inflated/ deflated.



### 13.3 What to Report?

- The nature of the transaction.
- The amount of the transaction.
- The date on which the transaction was conducted.
- The parties to the transaction.
- The reason of suspicion.

### 13.4 Whom to Report:

- i. Senior Management persons
- ii. Principal Officer
- iii. Designated Director
- iv. **Director, FIU- IND,  
Financial Intelligence Unit- India,  
6<sup>th</sup> Floor, Hotel Samrat,  
Chanakyapuri, New Delhi- 110021**

**13.5** Any suspicious transaction found is notified immediately to our Principal Officer. The notification is done in the form of a detailed report with specific reference to the clients, transactions and the nature/ reason of suspicion. However, it is ensured that there is continuity in dealing with the client as normal until told otherwise and the client is not told of the report/ suspicion. In exceptional circumstances, consent is not given to continue to operate the account, and transactions are suspended, in one or more jurisdictions concerned in the transaction, or other action taken. We ensure that the Principal Officer and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

**13.6** In case, if transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. all such attempted transactions are reported in STRs, even if not completed by clients, irrespective of the amount of the transaction.

**13.7** We ensure that 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' are also 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.





## 14. REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA

In terms of the PMLA Rules, Company is required 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,  
6<sup>th</sup> Floor, Hotel Samrat,  
Chanakyapuri, New Delhi- 110021  
Website: <http://fiuindia.gov.in>**

We ensure that:

- The cash transaction report (CTR) (wherever applicable) for each month is submitted to FIU-IND by 15<sup>th</sup> of the succeeding month.
- The Suspicious Transaction Report (STR) is 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 records its reasons for treating any transaction or a series of transactions as suspicious. It is ensured that there is no undue delay in arriving at such a conclusion.
- The Non-Profit Organization Transaction Reports (NTRs) for each month is submitted to FIU-IND by 15<sup>th</sup> of the succeeding month.
- The Principal Officer is responsible for timely submission of CTR, STR and NTR to FIU-IND.
- Utmost confidentiality is maintained in filing of CTR, STR and NTR to FIU-IND. The reports are transmitted by speed post/ registered post/ fax at the notified address.
- No NIL reporting is made to FIU-IND in case there are no cash/ suspicious transactions/ non – profit organization to be reported.

We ensure that no restrictions are put on operations in the account where an STR has been made. No directors, officers and employees (permanent and temporary) of the Company will disclose ("tipping off") the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/ or related information but even before, during and after the submission of an STR. Thus, it is ensured that there is no tipping off to the client at any level.



## 15. PRINCIPAL OFFICER: DESIGNATION AND DUTIES

The company has designated **Mr. Ashok Kumar Soni** as the Principal Officer for due compliance of Anti-Money Laundering Policies. He will 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 and will have access to and is able to report to senior management at the next reporting level or the Board of Directors. The duties of the Principal Officer will include monitoring the Company's compliance with AML obligations and overseeing maintenance of AML records, communication and training for employees. He will ensure timely submission of necessary reports of Suspicious Transactions to Financial Intelligence Unit (FIU- IND). He is authorized to issue additional circulars and advisories to and seek information from the concerned officials for due compliance of AML policies.

The company has provided the FIU with contact information of the Principal Officer and will promptly notify FIU of any change in this information.

### The Principal Officer may be contacted:

Name: **Mr. Ashok Kumar Soni**

Office Address: **203, Jaipur Tower, M.I. Road, Jaipur- 302001**

Phone No(s): **0141-4051000**

E-mail address: **compliance@hemsecurities.com**

## 16. APPOINTMENT OF DESIGNATED DIRECTOR

In terms of Rule 2 (ba) of the PML Rules, the company has designated following person as the Designated Director to ensure overall compliance with the obligations imposed under chapter IV of the Act and Rules. They will ensure filing of necessary reports with the Financial Intelligence Unit (FIU- IND).

Sr. No.	Designated Director
1.	Mr. Gaurav Jain
2.	Mr. Prateek Jain



## 17. RECORD KEEPING

We ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

We maintain 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.

We also retain the following information of our clients in order to maintain a satisfactory audit trail (in case, if required by the competent investigating authorities for reconstructing a financial profile of the suspect account):

- a. Beneficial owner of the account;
- b. Volume of the funds flowing through the account; and
- c. for selected transactions:
  - i. the origin of the funds;
  - ii. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
  - iii. the identity of the person undertaking the transaction;
  - iv. the destination of the funds;
  - v. the form of instruction and authority.

We ensure that all client and transaction records and information are made available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed thereunder PMLA, other relevant legislations, Rules and Regulations or Exchange byelaws or circulars.

A system has been developed for maintaining proper record of transactions prescribed under Rule 3 of PML Rules:

- (i) All cash transactions of the value of more than Rupees Ten lakh or its equivalent in foreign currency.
- (ii) All series of cash transactions integrally connected to each other which have been 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.



- (iii) 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.
- (iv) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

## **18. INFORMATION TO BE MAINTAINED**

We maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

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

## **19. RETENTION OF RECORDS**

**19.1** We have an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further the records mentioned in rule 3 of PML rules are maintained and reserved for a period of Eight years (earlier it was Ten years) from the date of transactions between the client and us.

The records mentioned in Rule 9 of the PML Rules and such other additional requirements that we consider appropriate are maintained and preserved for a period of Eight years from the date of cessation of transactions between the client and intermediary, i.e., the date of termination of an account or business relationship between the client and intermediary.

**19.2** The records evidencing the identity of clients and beneficial owners as well as account files and business correspondence is maintained and preserved for a period of Eight years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.

**Thus the following document retention terms are observed:**

- a) All necessary records on transactions, both domestic and international, are maintained at least for the minimum period as prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.



- b) We maintain and preserve the records 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 Eight years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.

**19.3** In situations where the records related to an on-going investigations or transactions which have been the subject of a suspicious transaction reporting, are retained until it is confirmed that the case has been closed.

**19.4** We also 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 Rule 7 & 8 of the PML rules, for a period of Eight years from the date of transaction between the client and us.

## **20. MONITORING OF TRANSACTIONS**

**20.1** Regular monitoring of transactions is carried out to ensure effectiveness of the AML procedures.

**20.2** We pay a special attention towards all complex, unusually large transactions/ patterns which appear to have no economic purpose. We have specified internal threshold limits for each class of client and pay special attention to transactions which exceed these limits. All documents/ office records/ memorandums/ clarifications sought pertaining to such transactions and purpose thereof will be examined carefully and findings will be recorded in writing. Further such findings, records and related documents will 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 maintained and preserved for a period of Eight years from the date of transaction between the client and us.

**20.3.** We ensure that a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions are regularly reported to our higher authorities.

**20.4** Compliance cell of our Company randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not.



## **21. LIST OF DESIGNATED INDIVIDUALS/ ENTITIES**

We also ensure that accounts are not opened in the name of anyone whose name appears in 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) available at its website at <http://www.un.org/sc/committees/1267/consolist.shtml>

We 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 is intimated immediately to SEBI and FIUIND.

## **22. PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES**

Under Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA), 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 Central 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.

We ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated March 14, 2019 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:
  - i. 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 (herein after 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, we 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 (CTCR), 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 will also be conveyed through e-mail at [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in)
  - iii. We will send the particulars of the communication mentioned in (ii) above through post/ fax and through e-mail ([sebi\\_uapa@sebi.gov.in](mailto: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, we would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (CTCR), 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 will also be conveyed through e-mail at [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in)
  - v. We will also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered in paragraph 22 (a) (ii) above carried through or attempted, as per the prescribed format.
- b) On receipt of the particulars as mentioned in paragraph 22 (a) (ii) above, CTCR 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 us are the ones listed as designated individuals/ entities and the funds, financial assets or economic resources or related services, reported by us 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 are held for the benefit of the designated individuals/ entities, an order to freeze these assets under Section 51A of the UAPA would be issued by the UAPA Nodal officer of CTCR Division of MHA and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND.



The UAPA Nodal officer of CTCR Division of MHA shall also forward a copy thereof to all Principals Secretary/ Secretary, Home Department of the States or UTs, so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for the benefit of the designated individuals/ entities or any other person engaged in or suspected to be engaged in terrorism.

The UAPA Nodal officer of CTCR Division of MHA shall also forward a copy thereof to all Directors General of Police/ Commissioners of Police of all States/ UTs for initiating action under the provisions of the Unlawful Activities (Prevention) Act, 1967.

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. Each individual Country has the authority to designate the persons and entities that should have their funds and other assets frozen.
  - 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 CTCR Division for freezing of funds or other assets.
  - iii. The UAPA Nodal Officer of CTCR 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 CTCR Division, the list would be forwarded to stock exchanges, depositories and intermediaries and the procedure as enumerated at paragraphs 22 (a) (b) and (c) 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.
  - ii. 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 CTCR Division of MHA as per the contact details given in paragraph a(ii) above within two working days.
  - iii. The Joint Secretary (CTCR), MHA, being the UAPA Nodal Officer for (CTCR) 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 CTCR 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.

### **23. EMPLOYEES' HIRING/ EMPLOYEE'S TRAINING**

We have adopted adequate screening procedures to ensure High standards when hiring employees. We have identified the key positions within our organization structure having regard to the Risk of money laundering and terrorist financing and the size of Business and we ensure that employees taking up such key positions are Suitable and competent to perform their duties.

Our company provide proper training on anti- money laundering and anti- terrorist financing and their procedures to the staff members including frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients.



Staffs who deal directly with the public are the first point of contact with potential money launderers. Their efforts are therefore vital to the reporting system for such transactions. Staff are abreast of the practices to identify suspicious transactions and on the procedure to be adopted when a transaction is deemed to be suspicious. In short, employees familiarize themselves with their customers' normal trading activities and usual market practices in order to recognize anomalous behavior. Suspicions concerning the source of assets or the nature of a transaction may not be ignored. It is the active responsibility of every person at the company to seek to ensure that the firm's facilities are not being misused.

We ensure that our staff members should also not disclose to the customer concerned nor to other third persons that their transaction is deemed suspicious or if information may be transmitted to the authorities.

## **24. INVESTOR EDUCATION**

Company organizes one to one talk of our employees with the clients, educate investors regarding rules and regulations as prescribed by various authorities by conducting seminars and training programs and communicate investors about any important information by affixing the notices and circular information on notice board and to sensitize our clients about the requirements as the ones emanating from AML and CFT framework.

We also demand certain information from investors which may be of personal nature or has hitherto never been called for. Such information can include documents evidencing source of funds/ income tax returns/ bank records etc. This can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information. Therefore, sometimes, we need to sensitize the clients about these requirements as the ones emanating from AML and CFT framework.

## **25. REVIEW OF POLICY**

The aforesaid AML policy is reviewed on yearly basis or as and when any new circulars issued by the SEBI or respective exchanges with regard to testing its adequacy to meet the compliance requirements of PMLA, 2002. The Principal Officer is the authority to give directions to undertake additions, changes, modifications etc. as directed by SEBI/ FIU-IND.