



SYKES & RAY EQUITIES™
Financial Planning Broking Research

SYKES & RAY EQUITIES (I) LTD

**THE PREVENTION OF MONEY LAUNDERING ACT (PMLA) POLICY
OR
ANTI MONEY LAUNDERING PROCEDURES.**

AS ADOPTED BY SREIL

FOR STOCK BROKING & DP OPERATIONS

Version – 24.02

(This is a policy document for guiding the operations of the organization. This Document is for internal use and not for circulation.)

INTRODUCTION

Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets.

Sykes & Ray Equities (I) Ltd has designed this policy of PMLA and effective AML program to prohibit and actively prevent the money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities or flow of illegal money or hiding money to avoid paying taxes.

This is a review of the policy version 16.1 and the same is revised in lieu of the Prevention of Money-laundering (Maintenance of Records) Second Amendment Rules, 2017 published in the Official Gazette on June 1, 2017.”.

PART A: POLICY FOR ACCEPTANCE OF CLIENTS & RISK ASSESSMENT:

1. The Policy for acceptance of clients is based on the **perceived risk** and is in accordance with the **requirements of the Prevention of Money Laundering Act 2002 and the guidelines issued by RBI and SEBI from time to time.** The basic principle enshrined in the aforementioned approach is that the client due diligence measures on a **risk sensitive basis**, i.e., an enhanced client due diligence for high-risk categories of customers and conversely, a simplified client due diligence process for lower risk categories of customers.
2. Factors of risk perception (in terms of monitoring suspicious transactions) of the client shall be 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. These parameters shall be used for classification of clients into low, medium and high risk.
3. Account shall not be opened:
 - If it is not possible to ascertain the identity of the client.
 - If information provided is suspected to be non-genuine, perceived non-cooperation of the client in providing full and complete information.
4. If the account to be activated is with a name that is very close to any other established business entity and if the prospective client claims to have no relationship with the other entity, then a **self-declaration** stating the same shall be taken from the prospective client.
5. If at the time of establishing the intermediary – client relationship, it is suspected that the prospective client has a suspicious background or links with known criminals or is banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide; the account will not be activated.

The prospective client's name shall also be compared with the list of people who are barred from dealing / trading as mentioned on the NSE / BSE / SEBI websites. If it is established that the prospective client is so barred then his /her account shall not be activated.

Moreover, a **Self Declaration**, stating that they have not been involved in any criminal offence and neither has been barred from dealing / trading by NSE/BSE/SEBI shall be taken from all clients.

6. No account will be opened in a fictitious / benami name or on an anonymous basis.
7. Carry out risk assessment of clients to identify, assess and take effective measures to mitigate money laundering and terrorist financing risk with respect to, 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, namely UNSC_1267, UNSC_1988, UNSC_2140 and UNSC_2270 (these can be accessed at <https://www.un.org>)
8. 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.
9. No trading or demat account can be opened in the name of entity whose name is listed on the banned entity list being maintained at United Nation's website at & also as published on SEBI website & Exchange Websites.
10. Documents received from client during the client due diligence (CDD) process should be reviewed & updated on annual basis or as per information provided by clients.

PART B: CLIENTS IDENTIFICATION PROCEDURE:

1. The documentation requirements and other information required should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) for the identification of clients and shall be collected in respect of different classes of clients. On the basis of the perceived risk and after having regard to the requirements of the Prevention of Money Laundering Act 2002 and the guidelines issued by RBI and SEBI from time to time the process for registration to be carried out.
2. Identification procedure is to be carried out at the following **3 stages**:
 - While establishing the intermediary – client relationship;
 - While carrying out transactions for the client;
 - When there are doubts regarding the veracity or the adequacy of previously obtained client identification data.
3. Documentation Requirements (as prescribed by **rule 9 of the Prevention of Money Laundering Rules, 2005**):
4. Where the client is an *individual*, he shall submit one certified copy of an officially valid document containing details of his permanent address or addresses, current address or addresses, and one copy of his recent photograph and such other documents including in

respect of the nature of business and financial status of the client as may be required verifying the identity of the client. Aadhar Number of UIDAI is obtained at the time of account opening or informed/ submitted by the existing clients..

- Where the client is a **company**, it shall submit, self attested copies of the following documents:
 - Certificate of incorporation;
 - Memorandum and Articles of Association;
 - A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf;
 - Shareholding Pattern, List of directors,
 - An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.
 - Where the client is a **partnership firm**, it shall submit certified copies of the following documents:
 - Registration certificate;
 - Partnership deed
 - Details of Partners
 - An officially valid document in respect of the person holding an attorney to transact on its behalf.
 - Where the client is a **trust**, it shall, submit to the banking company, or the financial institution, or the intermediary three certified copies of the following documents:
 - Registration certificate;
 - Trust deed; and
 - An officially valid document in respect of the person holding an attorney to transact on its behalf.
 - Where the client is an **unincorporated association or a body of individuals**, it shall submit copies of the following documents:
 - Resolution of the managing body of such association or body of individuals;
 - Power of attorney granted to him to transact on its behalf;
 - An officially valid document in respect of the person holding an attorney to transact on its behalf; and
 - Such information as may be required to establish the legal existence of such an association or body of individuals.
5. Sufficient information shall be obtained in order to identify persons who beneficially own or control securities account. If it is apparent that the securities acquired or maintained through

an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures.

6. Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the Principal Officer.
7. Conduct of an ongoing due diligence and scrutiny of the transactions and client's account, throughout the course of the business relationship shall be done to ensure that the transactions being conducted are consistent with the client's business and risk profile, taking into account, where necessary, the customer's source of funds.
8. The end clients should be advised to co-operate with us by providing the additional information / documents, if asked for during the course of your dealings with us to ensure the compliance requirements under this Act. Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority / Principal Officer.

PART C: IDENTIFICATION PROCEDURE OF BENEFICIAL OWNERSHIP:

As per SEBI Circular No. CIR/MIRSD/2/2013 dated on January 24, 2013, the uniform approach towards determination of beneficial ownership is as follows:

➤ **For clients other than individuals or trusts:**

- 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.

Controlling ownership interest means ownership of/entitlement to:

- i. More than 10% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. More than 10% 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.

➤ **For client which is a trust:**

Where the client is a trust, the beneficial owners of the client shall be identified and reasonable measures be taken to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 10% 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.

➤ **For Client which is a listed company (exemption)**

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.

➤ **For client which is a foreign investor (applicability)**

Refer SEBI Master Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022 and

amendments thereto, if any, for the purpose of identification of beneficial ownership of client.

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

SREIL 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.

PART D: IDENTIFICATION OF CLIENTS OF SPECIAL CATEGORY (CSC):

Clients of Special Categories may include:

1. NRI / HNI / Trust / Charities / NGO / Organizations receiving donations
2. Companies having close family shareholdings or beneficial ownership.
3. Politically Exposed Persons
4. Companies offering foreign exchange offerings
5. 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 centre, tax havens, countries where fraud is highly prevalent.
6. Non face to face clients
7. Clients with dubious reputations as per public information available in public domain as Newspapers, Exchange websites, SEBI/FMC Website, List of SEBI debarred entities as updated from time to time, list of entities as available on <http://www.watchoutinvestors.in>.

** HNI Client here means the clients who have net worth or Holding securities exceeding Rs. 1 crore or doing the intraday trading volume of more than 2 Crore or daily delivery transactions more than Rs. 20 Lakhs.*

PART E: RECORD KEEPING:

1. All necessary records pertaining to transactions of clients (namely financial statements, DP Account statements, Contract Notes, Statement of Securities etc) are maintained for the period as may be specified by the Stock Exchanges or Depositories as prescribed under the relevant Act (PMLA 2002, as well as SEBI Act 1992) and other legislations, Regulations or exchange by-laws or circulars.
2. 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.
3. Records of information reported to the Director, Financial Intelligence Unit - India (FIU-IND)

shall be maintained and preserved, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transaction.

PART F: RETENTION OF RECORDS:

The Company maintains and preserve records and information for the period as prescribed under relevant act and rules in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities, and, in case of ongoing investigations or transactions which have been the subject of STR, they shall be retained until it is confirmed that the case has been closed.

PART G: SUSPICIOUS TRANSACTIONS – MONITORING & REPORTING:

1. MONITORING TRANSACTIONS

- Threshold Trading limits / leverage to be given shall be established, for each class of clients, according to their net worth and the perceived risk.
- Volume of trade to be correlated with the clients annual income/networth: If the volume of trade is inconsistent with the client's financial background, explanation should be sought by the client for the same. Failure by client to provide satisfactory explanation should be noted and reported to the Principal Officer.
- If after incurring a substantial loss, the client makes good the loss, details of the source from which the loss was made good shall be sought from the client. Failure by client to provide satisfactory explanation should be noted and reported to the Principal Officer.
- If there are large numbers of accounts having a common account holder, introducer or authorized signatory, explanation for the same shall be sought from the beneficial owner. If the client is not able to satisfactorily explain the rationale for the same, the fact shall be reported to the Principal Officer.
- RMS department should review the alerts generated by the AML Software and take appropriate action. If any suspicious transaction is found the same has to be reported to the Principal office for taking appropriate action and report to FIU if needed
- Payments department should ensure that payment received from the client is being received in time and through the bank account the details of which are given by the client in KYC form and the payment through cash / bearer demand drafts should not be entertained. If so, the banker cheque/ demand draft/ pay order should be accompanied with the name of bank account holder and the bank account number debited, duly certified by issuing bank.
- Following transactions shall be closely monitored:
 - *Substantial increases in business without apparent cause.*
 - *Unexplained transfers between multiple accounts with no rationale.*
 - *Sudden activity in dormant accounts.*
 - *Activity inconsistent with what would be expected from declared business.*
 - *Clients based in high risk jurisdictions.*
 - *Unusual transactions by Clients of Special Categories (CSCs)*
 - *Sources of funds are doubtful or inconsistency in payment pattern.*
- **Dealing with Politically Exposed Clients(PEP)**
 - In case we have reasons to believe that any of our existing / potential customer is a politically exposed person (PEP) we must exercise due diligence, to ascertain whether the customer is a politically exposed person (PEP), which would include seeking

- additional information from clients and accessing publicly available information etc.
- The dealing staff must obtain senior management`s prior approval for establishing business relationships with Politically Exposed Persons. In case an existing customer is subsequently found to be, or subsequently becomes a PEP, dealing staff must obtain senior management`s approval to continue the business relationship.
 - We must take reasonable measures to verify source of funds of clients identified as PEP.
 - If it is established/ realized, while carrying out transaction for the client or at a later stage, that the client has a suspicious background or links with known criminals or is banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide; his / her transactions will be closely monitored.

2. REPORTING SUSPICIOUS TRANSACTIONS:

Procedure to be followed on identification of Suspicious Transaction:

The Principal Officer shall analyze the transactions that are reported to him and on identifying any suspicious transaction; he shall record the reasons for arriving at such a conclusion and intimate the same to the Financial Intelligence Unit, India (FIU-IND), *within 7 working days* of establishment of suspicion at the level of Principal Officer. However there would be continuity in dealing with the client, as normal, until told otherwise by the FIU authorities and the client would not be informed about his / her transactions being reported to the authorities. In meantime if there is any further evidence supporting suspicion or upon report of FIU, the clients account with us is frozen for any further transactions including transfers.

Cash Transactions

All are requested not to accept cash from the clients whether against obligations or as margin for purchase of securities or otherwise. All payments shall be received from the clients strictly by account payee crossed cheques drawn in favor of Sykes & Ray Equities (India) Limited. The same is also required as per SEBI circular no. SMD/ED/IR/3/23321 dated November 18, 1993 and SEBI/MRD/SE/Cir-33/2003/27/08 dated August 27, 2003. In case account payee cheques have been received from a bank account other than that captured in records the same can be accepted after ascertaining that the client is the first holder of the account. Only in exceptional cases, bank draft/pay-order may be accepted from the client provided identity of the remitter/purchaser written on the draft/pay-order matches with that of client else obtain a certificate from the issuing bank to verify the same.

The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.

The Principal Officer will be responsible for timely submission of CTR, STR to FIU-IND

All details of FIU reporting will be send to below mentioned address:-

Director, FIU-IND, Financial Intelligence Unit - India
6th Floor, Tower-2, Jeevan Bharati Building, Connaught Place, N ew Delhi-110001, INDIA
Telephone :91-11-23314429, 91-11-23319793(Helpdesk)
Email:helpdesk@fiuindia.gov.in

PARTH: APPOINTMENT OF PRINCIPAL OFFICER / DESIGNATED DIRECTOR & REVIEW OF POLICY:

Appointment of a Principal Officer

Mr. Rajesh Agarwal has been appointed as Principal Officer of the organization in compliance with provisions as envisaged under the Anti Money Laundering Act, 2002, the Principal Officer analyzes the transactions that are reported to him and on identifying any suspicious transaction; the Principal Officer records the reasons for arriving at such a conclusion & in case finds anything suspicious, he is responsible for the reporting of the same to FIU.

Appointment of a Designated Director

In addition to the existing requirement of designation of a Principal Officer, Mr. Sudhir Marathe is designated as 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules.

Review of Policy

Organizational MLA Policy should be reviewed on annual basis or in accordance with any new guidelines by Regulatory Authorities; further review should be done by any senior official of the organization other than one who drafted the policy.

PART I: HIRING / EMPLOYEES TRAINING / INVESTOR EDUCATION / SYSTEM SUPPORT:

1. HIRING:

We do adequate screening procedures while hiring employees and also ensure that the employees dealing with PMLA requirements are suitable and competent to perform their duties.

2. EMPLOYEES TRAINING:

We have ongoing training program conducted by our Principal Officer and Senior Management, Participation of all the key Employees/Associates in the seminars conducted by various Regulatory bodies from time to time, so that the members of the staff are adequately trained in AML and CFT procedures. Also all the circulars issued by various Regulatory bodies including that of PMLA, are circulated to all the staff members and the same are also being

discussed in length, in the Training Program. Training Program has special emphasis on frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients.

3. INVESTOR EDUCATION:

Implementation of AML/CFT measures requires us to demand certain information from investor which may be of personal nature or which 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 customer with regard to the motive and purpose of collecting such information. There is, therefore, a need to sensitize customers about these requirements as the ones emanating from AML and CFT framework. We can prepare specific literature/pamphlets etc. so as to educate the customer of the objectives of the AML/CFT programmed.

4. SYSTEM SUPPORT:

Adequate system support being used, apart from back office software AML/ CFT software also used which captures data from various resources such as UN list, FATF, SEBI or exchange debarred list, suspicious transaction reported by exchanges, depository which generates alert, if any, for operational ease and for taking action.

PART J: PROCEDURE FOR FREEZING OF FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES OR RELATED SERVICES

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/ or SREIL depositories and registered intermediaries. The stock exchanges or SREIL 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 (ISI) 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, SREIL 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.

It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

<u>POLICY REVIEW</u>	
Policy Reviewed on: -	23/10/2024
Policy Reviewed By: -	Mr. Karunesh Kumar Varma.
Policy Prepared By: -	Mr. Sidhant Prabhu