

## **Anti Money Laundering Policy – SSJ Finance and Securities Private Limited**

### **Chapter I – Anti Money Laundering and Brief Introduction**

1. This **Anti Money Laundering Policy (“the Policy”)** is applicable to SSJ Finance and Securities Private Limited and its group companies and entities (collectively referred as “SSJ”). In case of any inconsistency between any other group policy and the Policy, the terms of the Policy shall prevail.
2. SSJ has the following licenses/permissions: -
  - a. Member of National Stock Exchange of India Limited (“NSE”) on the Capital Market, Future & Options and Currency Derivative Segment;
  - b. Member of Bombay Stock Exchange Limited (“BSE”) on the Capital Market and Derivative Segment;
  - c. Member of MCX Stock Exchange Limited (“MCX-SX”) on the Currency Derivative Segment;
  - d. Registered with Central Depository Services (India) Limited (“CDSL”) as Depository Participant;
  - e. Registered with AMFI for distribution of Mutual Fund;
  - f. Member of Multi Commodity Exchange Limited (“MCX”), National Commodity & Derivatives Exchange Limited (“NCDEX”), National Multi Commodity Exchange Limited (“NMCE”), NCDEX Spot Exchange Limited (“NCDEX-Spot”) and National Spot Exchange Limited (“NSEL”);
3. As a Registered intermediary with Securities and Exchange Board of India (“SEBI”), the provisions of the Prevention of Money Laundering Act (“PMLA”) and various rules and other provisions prescribed thereunder is applicable to SSJ.
4. A brief introduction of PMLA is as under: -
  - a. PMLA was brought into force with effect from July 1, 2005. Necessary Notifications / Rules under the said Act were published in the Gazette of India on July 1, 2005.
  - b. SEBI vide its circular dated January 18, 2006 and Reserve Bank of India RBI vide its Notification dated February 21, 2005 (for NBFCs) have provided broad guidelines on Anti-Money Laundering Standards (‘the Guidelines’). The banking companies, financial institutions and intermediaries (applicable entities) were also advised by SEBI/RBI, to ensure that a proper policy framework on anti-money laundering measures is put into place.
  - c. As per the provisions of the PMLA, every banking company, financial institution (which includes chit fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and intermediary (which includes a stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with securities market and registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’), 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:

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

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

- d. The following information needs to be maintained in respect of the aforesaid transactions:
  - i. Nature of transaction;
  - ii. Amount of transaction and currency in which it was denominated;
  - iii. Date of transaction;
  - iv. Parties to the transaction.
- e. Under the Rules, records of client are required to be maintained for a period of 10 years from the date of cessation of transactions between the client and the applicable entity. In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.
- f. There are certain reporting are to be done to Financial Intelligence Unit of India ("FIU"), which are mentioned elsewhere in the Policy.

- 5. The Policy is divided into the following other chapters:
  - a. Chapter II – Appointment of Principal Officer;
  - b. Chapter III – Client Acceptance Process;
  - c. Chapter IV – Client Identification Process;
  - d. Chapter V – Risk Evaluation and Client Profiling;
  - e. Chapter VI – Maintenance and Retention of Records;
  - f. Chapter VII – Transaction Identification and Reporting;
  - g. Chapter VIII – Employee Hiring, Training and Education;
  - h. Chapter VIII – Miscellaneous ;

## **Chapter II – Appointment of Principal Officer**

- 1. The Group shall appoint a senior person as its Principal Officer The duties of the Principal Officer will include monitoring the firm's compliance with Anti Money Laundering ("AML") obligations and overseeing communication and training for employees. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU).

2. The Principal Officer shall also advise its sub-brokers, authorize persons or any other intermediary to adhere the strict compliance of the PMLA, including appointment of Principal Officer, if required.
3. Mr. Anshul Kumar Jain, Head of Compliance\* shall be Principal Officer for all the entities of SSJ and the intimation of his appointment as such has been provided to FIU.

### **Chapter III – Client Acceptance Process;**

#### **1. Initial Check**

SSJ KYC team shall do an initial check of the proposed client through various available means like SEBI debarred list, UNSCR, FAFT, etc.;

#### **2. In Person Verification**

- a. Once the background screening is completed or simultaneously therewith, the Relationship Manager ("RM") or his team shall conduct an In Person Verification ("IPV") of the proposed client.
  - b. IPV shall be done by employee of SSJ and in no case, IPV activity shall be outsourced.
  - c. IPV shall be done at the time of registration of the client under the KYC norms, SSJ must be able to satisfactorily identify the client and must be able to provide the client details to authorities as and when required.
3. It shall be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. It shall also be ensured that the 'Know Your Client' guidelines are followed without any exception and all supporting documents as specified SEBI, Exchanges or any other authority are obtained and verified.
  4. It shall be checked that whether the client name is appearing in the various banned list. In case, a similar name is appearing in the list, reference of the same shall be made to Compliance Department and account shall be opened after approval from the Compliance Department.
  5. An extra precaution shall be taken while accepting clients of special category like NRIs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP), persons of foreign origin, companies having closed share holding/ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high risk countries, non face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc). Scrutinize minutely the records / documents pertaining to clients belonging to aforesaid category. PEPs shall be given exposure to the extent of clear funds only. Any off-market transfer from PEP's depository account shall be executed only after obtaining approval from Principal Officer or RMS Head.
  6. It is to be ensured that Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.

7. The accounts of the client shall not be opened where the client refuses to provide information/documents and there has to be a sufficient reason to reject the client towards this reluctance.

#### **Chapter IV – Client Identification Process (new client)**

1. The client shall be identified by obtaining the necessary documentation from the client. The document prescribed by statutory authorities can only be taken.

#### **Chapter V – Risk Evaluation and Client Profiling;**

1. The RM or his team shall, while conducting IPV, try and understand/know/get the following details during the interaction with the proposed client. In case RM thinks that any evidence is required to be collected by the proposed client towards the information provided by him, RM shall make endeavor for the same.
  - i. In case of individual
    - occupation of the proposed client;
    - primary source of income of the proposed client;
    - primary bankers of the proposed client;
    - investment values of the proposed client as on date;
    - pattern of investment;
    - any borrowing;
    - family background and other contributors to family income;
    - occupation and source of income of close relative i.e. parents, spouse, siblings, children, etc.
    - general and social reputation
    - involvement in any scam/criminal/anti social activity, directly or indirectly;
    - if investing in capital market, since when;
  - ii. In case of non-individual
    - Business carried on by the entity;
    - Nature of the entity;
    - Annual turnover and revenue of the entity;
    - Investment, if any, already made in capital market;
    - Identity of the stakeholders in the entity;
    - Beneficial owners of the entity;
    - Persons in actual control and management of the entity;
    - general and social reputation;
    - involvement in any scam/criminal/anti social activity, directly or indirectly;
    - scope and nature of the proposed transaction, its purpose and end use and whether the proposed transaction seems unnecessarily complex or unusual;
  - iii. Beneficial ownership shall be identified in accordance with SEBI circular dated January 24, 2013.

2. These basic details need to be documented in a Risk Profile Sheet and submitted along with other KYC documents. These details would be archived for future purpose.
3. Based on the information received from the proposed client an evaluation of risk shall be done;
4. The following clients shall be classified as “High Risk Clients”: -
  - 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. Companies offering foreign exchange offerings
  - vii. 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. While dealing with clients in high risk countries where the existence/effectiveness of money laundering control is suspect, intermediaries apart from being guided by the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website ([www.fatf-gafi.org](http://www.fatf-gafi.org)), shall also independently access and consider other publicly available information.
  - viii. Non face to face clients
  - ix. Clients with dubious reputation as per public information available
  - x. Firms with sleeping partners
5. The following clients shall be classified as “Low Risk Clients”:
  - i. Persons who do not fall into high-risk clients;
  - ii. Persons belonging to low economic strata of society whose accounts show small balances and low turnover;
  - iii. Government departments and government owned companies, regulators and statutory bodies;
6. A systematic periodic review of risk categorization of the clients shall be done by Risk, Compliance or other team, as the case may be and the same be divided into low, medium and high risk.

7. The accounts for the high risk client shall be opened only after obtaining the approval of Head of Operations.
8. On submission of the documents and completed KYC from the proposed client and the KYC Team shall be responsible for the following: -
  - i. For checking the completeness of the KYC Form;
  - ii. For checking the documentary evidence;
  - iii. For ensuring that all relevant documents are completed in all respect;
  - iv. For ensuring that the IPV has been done;
  - v. For checking that the personal investigation details submitted by RM on the clients and relating the same to documentary evidence.

## **Chapter VI – Maintenance and Retention of Records**

1. The Principal Officer will be responsible for the maintenance for following records:
  - a. All cash transactions of the value of more than Rs. 10 lakh or its equivalent in foreign currency.
  - b. All series of cash transactions integrally connected to each other which have been valued below Rs. 10 lakh 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 demat account, security account maintained by the registered intermediary.
  - d. all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
  - e. all suspicious transactions whether or not made in cash.
2. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith: -
  - a. gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
  - b. appears to be made in circumstances of unusual or unjustified complexity; or
  - c. appears to have no economic rationale or bonafide purpose; or
  - d. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;
3. The records shall contain the following information:
  - a. the nature of the transactions;
  - b. the amount of the transaction and the currency in which it was denominated;
  - c. the date on which the transaction was conducted; and
  - d. the parties to the transaction.
4. The records mentioned above shall be maintained for a period of 10 years from the date of cessation of transactions between the client and the applicable entity. In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious

transaction reporting, they shall be retained until it is confirmed that the case has been closed.

## **Chapter VII – Transaction Identification and Reporting**

1. All the employees shall monitor concerned transactions conducted by SSJ and all branches/divisions, etc. on a continual basis and shall report all cash transaction or suspicious transaction to their Department Head.
2. Department Head shall inform the said transactions to the Principal Officer.
3. The Principal Officer, after due verification and obtaining approval of Chief Executive Officer, shall file CTR or STR with FIU.
4. All employees shall maintain utmost confidentiality while dealing with such transactions.
5. It is likely possible in some cases that transactions are abandoned/aborted by clients on being asked to give some more details or to provide documents. It is clarified that employee should report all such attempted transactions also as suspicious transaction, irrespective of the amount of the transaction.
6. Upon reporting STR, employees shall ensure that securities or monies forming part of such suspicious transaction are not returned/refunded to the client. If the client makes a request for such refund or makes any other request for operation of account, the employee must consult with Department Head and Principal Officer. Principal Office will consult the regulatory authorities determining what action in such cases.
7. The KYC team shall run a check on a regular basis to verify whether any individual or entities in client list are falling in the list issued under Government of India Order dated August 27, 2009 for implementing section 51A of the Unlawful Activities (Prevention) Act, 1967. In case, the particulars of any of client matches with the list, KYC team shall immediately, not later than 1 hour from the time of finding out such individual or entity, inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., held by such individual or entity on their books to the Principal Officer who in turn will submit the information 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 on e-mail id: [jsis@nic.in](mailto:jsis@nic.in). Apart from above, the information shall also be sent to the UAPA nodal officer of the state/UT where the account is held and Regulators and FIU-IND, as the case may be.

In case, the match of any of individual or entity is beyond doubt, the information shall be provided as above and also account of such individual or entity shall be suspended in all respect including freezing of funds and securities payout.

STR shall be filed with FIU-IND covering all transactions in the accounts of such individual or entity covered by paragraph (ii) above, carried through or attempted.

8. In exception cases, Principal Officer may recommend to Chief Executive Officer for closure of dealing with client.
9. Chief Executive Officer may take appropriate action on the recommendation of Principal Officer.

#### **Chapter VIII – Employee Hiring, Training and Education**

1. SSJ shall have an adequate screening process before hiring of employees. Human Resource Department shall be responsible to do the screening.
2. Human Resource Department shall keep a track on the training requirement.
3. A specific training may be requested by any employee to Human Resource Department.
4. The training shall be conducted by Compliance Department.
5. The training shall be conducted by way of classroom training, circulation of information from time to time, etc.
6. A presentation on AML shall be hosted on intranet so as to make available to clients and a reference to the link shall be made in quarterly/monthly statement to be sent to clients so as to educate them.

#### **Chapter VIII – Miscellaneous**

1. The Policy may be altered at any time by the Board of SSJ, if so recommended by Principal Officer.



**Amendment to the policy effective from July 16, 2012**

1. Existing Clause 7 to Chapter VII is renumbered as 8;
2. Existing Clause 8 to Chapter VII is renumbered as 9;
3. Clause 7 to Chapter VII is inserted;
4. Clause 6 to Chapter VIII is inserted;

**Source of above modification: -**

Government of India Order dated August 27, 2009 for implementing section 51A of the Unlawful Activities (Prevention) Act, 1967 read with SEBI Circular October 23, 2009; SEBI Mater Circular on AML.

**Amendment to the policy effective from August 1, 2012**

1. The following lines were added in Clause 5 of Chapter III

PEPs shall be given exposure to the extent of clear funds only. Any off-market transfer from PEP's depository account shall be executed only after obtaining approval from Principal Officer or RMS Head.

**Amendment to the policy effective from February 1, 2013**

1. A new sub-clause (iii) of clause 1 of Chapter V were added