

MONEYBEE SECURITIES PRIVATE LIMITED

Procedures with respect to implementation of Anti Money Laundering Measures under the Prevention of Money Laundering Act,2002.

The Prevention of Money Laundering Act, 2002 (PMLA) was brought into force with effect from 1st July 2005. As per the provisions of the PMLA, intermediary (includes a stockbroker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, merchant banker, underwriter, portfolio manager, investment adviser and any other intermediary associated with the securities market and registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (SEBI Act) shall have to adhere to client account opening procedures and maintain records of such transactions as prescribed by the PMLA.

SEBI has issued necessary directives vide circulars, from time to time, covering issues related to Know Your Client (**KYC**) norms, Anti- Money Laundering (**AML**), Client Due Diligence (**CDD**) and Combating Financing of Terrorism (**CFT**). The directives lay down the minimum requirements and it is emphasized that the intermediaries may, according to their requirements, specify additional disclosures to be made by clients to address concerns of money laundering and suspicious transactions undertaken by clients. Reference to applicable statutes and reporting guidelines for intermediaries is available at the website of the Financial Intelligence Unit – India (**FIU-IND**). Directives to all intermediaries under Section 12 of the SEBI Act are also issued in the context of compliance with the standards set by the Financial Action Task Force (**FATF**) on AML and CFT.

Objective:

The objective of these measures is to discourage and identify any money laundering or terrorist financing activities. These measures are intended to place a system for identifying, monitoring and reporting suspected money laundering or terrorist financing transaction to the law enforcement authorities. 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 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:

- All cash transactions of the value of more than Rs 10 lakh or its equivalent in foreign currency.
- 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
- 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.

❖ **Written Anti Money Laundering Procedures**

Moneybee has adopted written procedures to implement the anti money laundering provisions as envisaged under the PMLA. Such procedures shall include inter alia, the following three specific parameters which are related to the overall '**Client Due Diligence Process**':

- a. Policy for acceptance of clients
- b. Procedure for identifying the clients
- c. Transaction monitoring and reporting especially Suspicious Transactions Reporting (**STR**).

❖ **Client Due Diligence**

The CDD measures comprise the following:

- (a) Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. The beneficial owner is the natural person or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.
- (b) Verify the client's identity using reliable, independent source documents, data or information;
- (c) Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the client and/or the person on whose behalf a transaction is being conducted;
- (d) Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to(c);
- (e) Understand the ownership and control structure of the client
- (f) Conduct ongoing due diligence and scrutiny, i.e. Perform ongoing scrutiny of the transactions and account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the registered intermediary's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds; and
- (g) Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process.

❖ **Policy for Acceptance of Client**

- No account is opened in a fictitious / benami name or on an anonymous basis.
- Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.
- Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.
- Ensure that an account is not opened where the intermediary is unable to apply appropriate CDD measures / KYC policies. This shall be applicable in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non genuine, or there is perceived non co-operation of the client in providing full and complete information. The market intermediary shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. The market intermediary shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.
- The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons i.e. the agent- client registered with the intermediary, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.
- Necessary checks and balance to be put into place before opening an account so as to ensure that the identity of the client does not match with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement agency worldwide.
- The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

❖ **Risk Based Approach**

- It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction etc. As such, the registered intermediaries shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the registered intermediaries shall adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that registered intermediaries shall obtain necessarily depend on the risk category of a particular client.
- Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk.

❖ **Risk Assessment**

Registered intermediaries shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions (these can be accessed at

http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and
<http://www.un.org/sc/committees/1988/list.shtml>

❖ **Client of Special Category (CSC)**

Such clients include the following:

- Non resident clients
- High net-worth clients,
- Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations
- Companies having close family shareholdings or beneficial ownership 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 additional norms applicable to PEP as contained in the subsequent para 5.5 of this circular shall also be applied to the accounts of the family members or close relatives of PEPs.
- Companies offering foreign exchange offerings
- 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), shall also independently access and consider other publicly available information.

- Non face to face clients
- List of Risk Categorization for Moneybee Securities Private Limited

Sr No	Allocation of Group	Risk Categorization	Remarks
1	AA- AZ	Low Risk	This Group is formed for HNI's and Investors which known to the MD personally.
2	BA-BZ	Medium Risk	This Group is formed for individual who have been referred by our clients.
3	CA-CZ	Medium Risk	This Group is formed for individual who have been referred by third party reference.
4	DA-DZ	Medium Risk	This Group is formed for staff and friends, relatives of our employee.
5	MA-MZ NA-NZ NM-NZ-SS	Medium Risk, Low Risk	This Group is formed for registered sub brokers of the company.

❖ Client Identification Procedure

The KYC policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data

- Moneybee has proactively put in place appropriate risk management systems to determine whether their client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPS. Further, the enhanced CDD measures as outlined in clause 5.5 shall also be applicable where the beneficial owner of a client is PEP.
- Moneybee will obtain senior management approval for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, Moneybee shall obtain senior management approval to continue the business relationship.
- Moneybee also takes reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP

- The client will be identified by the Moneybee by using reliable sources including documents information. Moneybee shall obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- Moneybee will take adequate documents to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by Moneybee in compliance with the directives. Each original document shall be seen prior to acceptance of a copy
- Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority within the intermediary
- Moneybee does not rely on a third party if required then Moneybee may follow the following steps 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.
- Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time.

❖ **Record Keeping**

Moneybee shall ensure that compliance with regards to record keeping requirement contained in SEBI Act 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

Moneybee will retain following information for the accounts of the client for satisfactory audit trail

- The beneficial owner of the account
- The volume of the funds flowing through the account and
- For selected transactions

Origin of the funds

- the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
- the identity of the person undertaking the transaction;
- the destination of the funds;
- the form of instruction and authority.

Moneybee shall monitor and also maintain proper record for transactions prescribed under rule 3 of the PML as mentioned below

- all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- 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 aggregate value of such transactions exceeds rupees ten lakh;
- 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;
- all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

❖ **Retention of Record**

All necessary records in regards to Rule 3 of PML Rules shall be maintained for Minimum 8 Years or as mentioned by SEBI / PMLA ACT from time to time. All necessary transaction both domestic and international including copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence will be maintained as issued by SEBI / PMLA ACT from time to time.

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.

❖ **Monitoring / Reporting of Suspicious Transactions**

The transaction is preserved and maintained in terms of section 12 of the PMLA 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 shall also be regularly reported to the higher authorities within Moneybee.

A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:

- Clients whose identity verification seems difficult or clients that appear not to cooperate

- Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;
- Clients based in high risk jurisdictions;
- Substantial increases in business without apparent cause;
- Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- Attempted transfer of investment proceeds to apparently unrelated third parties;

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

We will ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated August 27, 2009 relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008.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 Ministry of External Affairs (MHA)'; SEBI will forward the same to stock exchanges, depositories and registered intermediaries for the following purposes:

- To maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.
- 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 our books to the :

Joint Secretary (IS.I),

Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. And also by email at jsis@nic.in.

- We will send the particulars of the communication mentioned in (ii) above through post/fax and through e-mail (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI,Officer on Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU-IND.
- 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 (IS.I), Ministry of Home Affairs, at Fax No. 011-23092569 and also convey over telephone on 011-23092736. The

particulars apart from being sent by post should necessarily be conveyed through e-mail at jsis@nic.in.

- We will also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered above carried through or attempted, as per the prescribed format.

b) On receipt of the particulars as mentioned in paragraph 2.9.3 (a) (ii) above, IS-I Division of MHA would cause a verification to be conducted by the State Police and /or the Central agencies so as to ensure that the individuals/ entities identified by the stock exchanges, depositories, registered intermediaries are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by stock exchanges, depositories, registered intermediaries are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

c) In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND. The order shall take place without prior notice to the designated individuals/entities.

❖ **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**

- Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to the concerned stock exchanges/depositories and registered intermediaries. The stock exchanges/depositories and registered intermediaries shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 5(ii) above within two working days. The Joint Secretary (IS-I), MHA, being the nodal officer for (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, 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.

❖ **Reporting to Financial Intelligence Unit India**

Moneybee shall report suspicious transaction to the director of Financial Intelligence Unit-India (FIU-IND) at the following address:

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

The Suspicious Transaction Report (STR) shall be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion.

❖ **Appointment of Principal Officer**

Moneybee has appointed Principal officer Mr. Dhiren Shah, as required under the Prevention of Money Laundering Act, 2002, and same is been reported to FIU-IND on 25th October 2007. The Principle Officer is responsible to discharge the legal obligations to report suspicious transactions to the authorities. The Principle officer will act as a central reference point in facilitating onward reporting of suspicious transactions and assessment of potentially suspicious transactions.

❖ **Appointment of Designated Director**

Moneybee has appointed Mr. Dhiren Shevantilal Shah as a Designated Director under the required PMLA Act. The same is been reported to FIU-IND on 24th June 2014 , the designated director will ensure the overall compliance with the obligation imposed under chapter IV of the Act and rules.

❖ **Hiring of Employees**

All employees hired are through reference and sound background, the company has adequate screening procedure to ensure high standards when hiring employees. The company shall identify the key position within the organization structures having regards to the risk of money laundering and terrorist financing and the size of the business and ensure that the employee taking the key positions is/are suitable and competent to perform the duties given.

❖ **Awareness among clients, staff, Authorised person & Sub brokers**

- Company during various intervals conducts programs where the clients, staff, authorised person and sub broker are educated and trained with respect to Anti Money Laundering changes and procedures.
- The compliance officer is responsible to educate and study land mark instances where Money Laundering is taken place and make the clients and staff understand the same.
- Short one pager write ups on the Money Laundering and various new policy is prepared and circulated to the clients and staffs.