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DOCUMENT ON
ANTI MONEY LAUNDERING
POLICY AND PROCEDURES

SHAH INVESTOR'S HOME LTD

28th May, 2020 (Revised)



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I. Introduction

Strict compliance for Regulations and rules of SEBI and all other legal body has been one of the core principles of **SHAH INVESTOR'S HOME LTD.**

At the juncture of burst of terrorist activity, terrorist financing and channels and ways of hiding the identity of criminals: the utmost need, for building an environment which is full proof and has all the characteristics of proactive approach, has arrived. We, as a vibrant company, know that -

- Money laundering is a process by which criminals or criminal organizations seek to disguise the Bad money / proceeds by introducing them into the stream of legitimate commerce and finance and
- Bad funds are made available as apparently legitimate funds.

We, at Shah Investor's Home Ltd, know very well, that if these type of financing is been allowed, it will harm the whole Finance Stream of our country, Criminals are by hiding their identity, can easily finance their bad funds and also Diminishes Government Tax Revenue.

SIHL's goals for acceptance of clients and operating their trades and transactions, are based, therefore, on the principle that there will be full observation of KYC (Know Your Client) norms not only at the time of opening of an account (Trading / Demat) but also during the operational level also, and there will be scrutiny of information at various levels, that represents combination of the followings:

- The Client acceptance policy : At client account Opening level
- Initial Verification of total KYC Norms : At client account Opening level
- Client Identification Program : At client account Opening level
- Observation of Client transactions : Post opening and operational level
- Monitoring of Client database, Tipping off, Updation of records: --do--
- Awareness of Anti Money Laundering across Branches and across all the Operational and Managerial Staff.

Achieving a successful Anti Money Laundering situation, has required management to take proactive approach to scan the Activity of SIHL at various levels and with different angle so that, doubtful and fishy transactions may come out.



These guidelines identify the set of measures that are part of company's overall policy and procedures. Anti-Money laundering policy (AML) is a step towards contributing the Government to curb terrorist financing. SIHL has also covered FATCA compliance from October 2015 and it is now a part of company's overall PMLA compliance.

Kindly note that the below stated policy is subject to changes from time to time depending upon newer requirements, circulars and our internal risk management framework.

II. SCOPE

Fundamental reason of this detailed guideline on AML is to follow the Prevention of Money Laundering Act, 2002 which is being introduced recently.

Circular issued by SEBI: dated January 18, 2006 on Prevention of Money Laundering Act, 2002 laying down broad guidelines on Anti Money Laundering Standards. (Circular no: NSE/INVG/7102: on www.nse-india.com)

As per the circular, all the intermediaries registered with SEBI under Section 12 of the SEBI Act are advised to ensure that a proper policy framework on anti-money laundering measures is put into place within one month from the date of the circular. There after various circulars have been issued for the financial sector participants for proper compliance. Requirement of PMLA is as follows:

- **Maintain record of all the prescribed transactions**, whether comprising of a single transaction or a series of transactions, integrally connected to each other taking place within a month,
- **Furnish information of the transactions** referred above, to the Financial Intelligence Unit, India –within a prescribed period,
- **Verify and Maintain the records of the identity** of all the clients in the prescribed manner,

On one hand, there is expansion of a client base, branches and networks and on the other hand Verification of information of client as per KYC, and Client Due Diligence become inevitable for the organization and hence there is urgent need of sound and efficient procedures to create AML environment.

AML is made to follow the regulation, guide personnel and create common environment of vigilantly identify suspicious client so that the same can be reported as per the requirement.



Our Scope of AMLP covers total process of Client Account Opening till Final transaction and thereafter continuous flow of activity generated by him. The same include Both Trading and DP operations with respect to client transactions and also at the time of recruitment of new staff. Total system is for identifying, monitoring and reporting suspected transactions as money laundering to FIU.

With these in mind: to safeguard against any malafide activity, maintain an environment which follow rules and regulations of PMLA and SEBI and to perform Client Due Diligence as a routine activity, we have developed the following as a Policy and Procedures which is applicable across all the offices / branches of SIHL including Head office.

In addition to the PMLA compliance, Foreign Accounts Tax Compliance Act (FATCA) observation and necessary compliance is included as part of CDD process and SIHL has made the same, a part of overall PMLA compliance procedure.

- **Principal Officer Designation and Duties**

The company has designated Tanmay U. Shah, the Principal Officer for its Anti-Money Laundering Program, with full responsibility for the company AML program is qualified by experience, knowledge and training. The duties of the Principal Officer will include monitoring the company compliance with 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 – IND)

The company has provided the FIU with contact information of the Principal Officer, including name, title, mailing address, e-mail address, telephone number and facsimile number. The company will promptly notify FIU of any change to this information.

- **Appointment of Designated Director**

In addition to the existing requirement of designation of a Principal Officer, we have appointed **Tanmay U. Shah** as a 'Designated Director' in terms of Rule 2 (ba) of the PML Rules & we have communicated same to the FIU- IND.



III. Risk Assessment – Risk Profiling

Our company ensures for risk assessment to identify the Group and Type of Clients who require continuous observation and strict verification.

Risk assessments have been conducted by top management and a manager associated with the activities like Client Account Opening, Demat and Trading Department.

We have determined the levels of risk of money laundering and there are three basic risk characteristics to be assessed:

- The level of *Non-Face To Face Appearance*
- The level of *Net worth and Profile criticality and*
- *The level of Turnover - Volume and Relationship*

A. Client Risk Levels:

The basic of the Anti-Money Laundering measure for an Intermediary is to have Client Due Diligence and the same can be applied on a Sensitive basis only when there is clear demarcation line for Risk Bifurcation of Client. SIHL has developed a policy that is to be followed while accepting the client and also while applying Anti Money laundering Measures:

(A) **High Risk Client:**

A client is under a high risk and is called as client of special category (CSC), when he is identified / grouped as:

- Clients in high risk countries where existence of money laundering control is suspected and the same is reported under the FATF statements and published at www.fatf-gafi.org
- All the Sub- brokers' clients with High Volume,
- Politically Exposed Person
- Companies offering Foreign Exchange Offerings
- Client having turnover more than Rs. 25 Lakhs in a month for intraday activity
- Client having monthly turnover of Rs. 40 Lakhs in a Demat account
- All the clients who perform off market Traders more than Rs. 20,00,000/- in a month.
- NRI
- Non face to face client



(B) **Medium Risk Client:**

- A client is under a medium risk when he is identified / grouped as not in the category of high risk but still the volume and activity is Critical

All non-individual clients who are more than 2 years in existence with us and where no AML report is made OR where required details and explanation has been found satisfactory.

(C) **Low Risk Client:**

A client is under a low risk when he neither in (A) nor in (B).

Also individual clients in existence for more than 1 year and no AML report or non-compliance observed.

B. Client Acceptance Policy:

Shah Investor's Home Ltd. strictly believes in full implementation of KYC norms and total observation of client risk levels. SIHL has developed a Client Application form where in, total documentation for each category of client has been outlined and check list is being filled by the person who is collecting client application form.

- No account is being opened in Benami Name.
- Clients with Dubious reputations will not be accepted. Clients with negative reputations, covered in defaulter list of banks and other financial institutions, list published in newspaper and media etc. are considered for dubious reputation. Also any referral of existing client who is under the long debit and recovery is pending will not be accepted.
- All the required details are being physically checked, marked and verified by different levels of persons from Client Account Opening section, Trading Division personnel and also from DP Division for the sufficiency and accuracy of information.
- At both the Trading and DP Division, client reference needs to be checked
- Details about previous trading activity, experience in the trading, business outline, etc. needs to be observed and reflected at specific places.
- Personal discussion about the basic information and business/social history of client will be done with the branch head, if the client trading account is under the branch.
- KYC observation as per the KRA norms is being currently implemented. Residential address, Office address, Phone numbers and PAN are needs to be verified at different levels of client opening.



- E-trading client needs to be separately educated for systems operations and importance of passwords and risk exposures of E- trading.
- PAN would be mandatory for account opening level. No account will be opened without PAN.
- SIHL will ensure that an account is not opened where we are unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to us is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information.
- SIHL will restrict third party manages or doing any transaction on behalf of our client. The circumstances under which the client is permitted to act on behalf of another person / entity is the exceptional situation and the same will be allowed with the valid power of attorney taken on record and the same is agreed personally by the client.

C. Criticality of Client and Critical Client Account:

SIHL has developed the areas, which are critical for reporting and also critical for continuous observation. The same are as under:

- False Identification Document
- Large Number of Account having common Account Holder or introducer or authorized signatory
- Unusual activity identified in an account
- Activity in the Dormant Account
- Transaction which is Non Rational
- Off Market Transaction where there is no bonafide purpose
- Inconsistent with Client's financial status
- Appears to be a case of Insider Trading and / or Circular Trading
- Substantial increases in business without apparent cause

D. Client Identification & Verifications

At the time of opening an account or executing any transaction with it, the company will verify and maintain the record of identity and current address or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status as under



Constitution of Client	Proof of Identity	Proof of Address	Others
Individual	<ul style="list-style-type: none"> PAN Card 	<ul style="list-style-type: none"> Copy of Bank Statement, etc. 	<ul style="list-style-type: none"> N.A.
Company	<ul style="list-style-type: none"> PAN Card Certificate of incorporation Memorandum and Articles of Association Resolution of Board of Directors 	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> Proof of Identity of the Directors/Others authorized to trade on behalf of the company
Partnership Firm	<ul style="list-style-type: none"> PAN Card Registration certificate Partnership deed 	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> Proof of Identity of the Partners/Others authorized to trade on behalf of the company
Trust	<ul style="list-style-type: none"> PAN Card Registration certificate Trust deed 	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> Proof of Identity of the Trustees/ others authorized to trade on behalf of the trust
AOP/ BOI	<ul style="list-style-type: none"> PAN Card Resolution of the managing body Documents to collectively establish the legal existence of such an AOP/ BOI 	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> Proof of Identity of the Persons authorized to trade on behalf of the AOP/ BOI



1. If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our company will not open the new account.
2. The company will maintain records of all identification information for eight years after the account has been closed
3. We have a system to determine whether our existing / potential customer is a politically exposed person (PEP) for that we may ask additional information to clients or access to publicly available information etc.

Such PEP clients, needs to obtain the approval from Chairman or from any of our Directors before establishing business relationship. Principal Officer will verify the sources of funds from clients identified as PEP. Each original document is verified before accepting the copies of the same. Failure to provide any documents by any of the prospective client is noted and reported to the Director immediately.

Under Risk Profiling following point to be added

- Further to above it is also necessary to cross verify the details of prospective customers with the databases of UN or other similar entity. **Shah Investor's Home Ltd.** shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list should immediately be intimated to SEBI and FIU-IND.
- An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) needs to be accessed in the United Nations website at <http://www.un.org/sc/committees/1267/consolist.shtml> and <http://www.un.org/sc/committees/1988/list.shtml>.



E. **Identification of Beneficial Ownership**

- At the time of opening an account or executing any transaction with it, the **Shah Investor's Home Ltd.** will verify sufficient information from their clients in order to identify and verify the identity of persons who beneficially own or control the securities account.
- The beneficial owner has been defined as the natural person or person who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a legal person or arrangement.

Following are the steps taken for identifying beneficial owners of the client:

A. For Corporate

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.

Controlling ownership interest means ownership of/entitlement to:

- i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
- ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
- iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

b. In cases where there exists doubt under clause 1 (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.

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 1 (a) or 1 (b) above, the identity of the relevant natural person who holds the position of senior managing official.

B. For client which is a trust:



Where the client is a trust, we identify the beneficial owners, 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.

C. Exemption in case of listed companies:

Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

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

i. In case 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 are regulated, supervised or monitored by us, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.

ii. Such reliance shall be subject to the conditions that are specified in Rule 9 (2) of the PML Rules and shall be in accordance with the regulations and circulars/ guidelines issued by SEBI from time to time. Further, it is clarified that the registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

IV. Obligations of an Intermediary

This section addresses in detail about obligations of an intermediary: SIHL: with respect to PMLA, 2002.

Notifications dated July 1, 2005 and December 13, 2005 have been issued: notifying the Rules under the Prevention of Money Laundering Act (PMLA), 2002. SEBI master circular dated **31st December 2010** and updation thereafter, gives brief operational guidelines and formats for reporting requirements.



1. In terms of the Rules, the provisions of PMLA, 2002 came into effect from July 1, 2005. **Section 12** of the PMLA, 2002 casts certain obligations on the intermediaries in regard to preservation and reporting of certain transactions and thereafter various circulars are to be considered.

2. Requirements of Section 12 r.w Prevention of money laundering (Maintenance of Records of Nature and Value of Transactions, the procedure and Manner of maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of Clients of the Banking companies, Financial institutions and Intermediaries) Rules, 2005 is as under:

- Maintain record of all the prescribed transactions, whether comprising of a single transaction or a series of transactions, integrally connected to each other taking place within a month
 - Furnish information of the transactions referred above, to the Financial Intelligence Unit, India –within a prescribed period
 - Verify and Maintain the records of the identity of all the clients in the prescribed manner
 - Apply the Anti-money laundering standards and policy also at the staff selection and recruitment level, to full achieve total PMLA compliant and also to create continuous awareness among the existing staff.
3. SEBI master circular dated 04th July , 2018 SEBI Circular no. SEBI/HO/MIRSD/ DOS3/ CIR/ P/ 2018/104 and updation thereafter has been taken care off.

4. Maintenance of records of transactions

SIHL shall put in place a system of maintaining proper record of transactions prescribed under **Rule 3**, as mentioned below:

1. All cash transactions of the value of more than rupees **ten lakh** or its equivalent in foreign currency;
2. 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 exceed rupees ten lakh;
3. 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;



4. All suspicious transactions whether or not made in cash and by way of:

- A. Deposits and credits, withdrawals into or from any accounts in anybody's name and in any currency by way of: cheques, demand drafts, pay orders, or any other instrument of payment of money including electronic transfers, travellers Cheque, internal transfer between accounts of same bank, financial institution and intermediary: including from or to Nostro and Vostro Accounts or any other mode
- B. **Credits or debits into or from any non-monetary accounts such as Demat account**, security account in any currency
- C. Money transfer or remittances in any currency, in favour of any person from India or abroad and to third party beneficiaries in or out side India in addition to the modes given in (i) above, by interest transfers, automated clearing house, electronic cards etc.
- D. Loans and advances including credit or loan substitutes, investments and contingent liability by way of: subscription to debt instruments, purchase of bills/cheques and other instruments, Forex contracts / currency / interest rate / commodity and other **derivative instruments**, LC, Guarantees and other instruments for settlement and / or credit supports.
- E. Collection service in any currency by way of collection of bill, cheques and other instruments.

It is also been clarified that, for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or **related**' **should also be considered**.

- F. At the time of account opening, SIHL will be obtaining certified copy - copy of officially valid document so produced by the client with the original and the same will be verified with the original and necessary stamp will be affixed as per the exchange / SEBI requirements.
- G. SIHL accepts the deemed officially verified documents. In cases, where client's address is not matching with the certified valid documents, for limited purpose of address:-

Following are the deemed officially verified documents that can be accepted:-

- Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- Property or Municipal tax receipt;



- Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation;

SIHL will accept the above and make sure that, within a period of 3 months, updated certified copy is obtained in the KYC file as compliance.

Also, in case of foreign nationals, where valid document presented by a foreign national does not contain the details of address, documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address and the same are deemed to be OVDs.

5. To enable FIU or any other agency for restructuring of financial profile of any of the clients of SIHL, following information for the accounts of their clients in order to maintain a satisfactory audit trail:

- a) The beneficial owner of the account;
- b) The 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.

5. Information to be maintained

SIHL is required to maintain and preserve the following information in respect of transactions referred to in **Rule 3**:

- (i) The nature of the transactions;
- (ii) The amount of the transaction and the currency in which it was denominated;
- (iii) The date on which the transaction was conducted; and



- (iv) The parties to the transaction.

6. Maintenance and Preservation of records

PMLA, 2002 mainly targets Intermediaries to take appropriate steps to evolve 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.

All the records mentioned in Rule 3 of above referred rule, have to be maintained and preserved for a period of eight years from the date of cessation of the transactions between the client and intermediary.

7. Freezing of Funds, Financial assets, or other economic resources :

To cope with unlawful activity of Terrorist, Central government has issued an Order dated August 27, 2009 detailing the procedure for implementation of section of Unlawful Activity Prevention Act.

Under the same, CG has the special powers to freeze, seize or attach funds and other financial assets of the persons covered under the said Order or other person suspected to be involved in terrorism. It is the humble responsibility of SIHL to fully implement and scrupulously comply the said Order. Responsibility of identifying and earliest reporting / disclosing these transactions is being accepted by the management.

For the same, SIHL will be doing the followings:

- (a) Maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis
- (b) If any customer details are matching, 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 (ISI), Ministry of Home Affairs.
- (c) SIHL will be preventing such customer for conducting any financial transaction and file related details in STR reporting.

8. 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.

9. Reporting to Financial Intelligence Unit-India

The Government of India set up Financial Intelligence Unit – India (FIU-IND) on 18th November 2004 as an independent body to report directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

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 strengthening efforts of national and international intelligence and enforcement agencies in pursuing the global efforts against money laundering and related crimes.

SIHL has to report information relating to suspicious transactions on FINGET PORTAL of FIU India (finnet.gov.in) to upload XML file covering the following details:

Batch Details – Filing Entity Details

Report Details – Details on knowledge about suspicious transaction and alert indicators etc.

Branch Details – Branch Details of client registered

Account Details – Client bank, trading, demat account details

Transaction Details – Details on transactions executed by client

Individual Detail / Entity Detail -

Due Date of Reporting on the above portal:



Within 7 days of Identification of Suspicious Transaction

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.

The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.

It is been clarified that Intermediaries should not put any restrictions on operations in the accounts where an STR has been made. Further, it should be ensured that there is no tipping off to the client at any level.

It is decided that, in some cases transactions are abandoned or aborted by clients on being asked to give some details or to provide documents. In such case, SIHL shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction.

10. Non-disclosure of any information to Client :

There should not be any disclosure of information to client for STR reporting or passing on related information by SIHL to FIU. 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 will be ensured that there is no tipping off to the client at any of the level.

11. Investor Education :

Being one of the process of identifying Suspicious transaction, collection of additional information like Nature of transaction, income tax returns, source of funds, bank records etc is integral part of SIHL PMLA policy. Considering the need to educate client for providing such additional sensitive information, SIHL has developed literature/ pamphlets etc for the awareness on ML and TF for PMLA objectives.



- **FATCA : Foreign Account Tax Compliance Act**

Purpose of FATCA is mainly to curb tax evasion due to foreign / cross boarder investments etc. SIHL has to perform CDD and identify reportable accounts as per the guidance note issued by CBDT.

Certain types of financial accounts (for SIHL, depository accounts) with low risk of being used to evade tax are excluded from review and reporting.

- In case of US reportable accounts, the US \$ 50,000 is the cap for non-reporting as at end of the calendar year.
- In case of US custodial accounts, the same will be reviewed irrespective of the value being less than US \$ 50,000.
- In case of new accounts, all those accounts need to be reviewed.
- After identifying reportable account and various limit tests, compliance as to reporting to be done as per the CBDT circulars Form no. 61B has to be filed with necessary details of financial accounts.
- Reporting requirement has to be followed as per the time limit fixed and modified time to time. NIL statement has to be furnished in case there are no reportable accounts or no CDD done w.r.t FATCA.

V. Anti-Money Laundering Action Plan

SIHL has developed the following action plan for the purpose of implementation of Anti Money Laundering. It is the duty to observe and comply with the latest norms of "Conflict Of Interest" and the same will be seen at the time of formation of following team or at the time of any operational function.

No associated person, who is an employee of the company will be designated as Compliance officer – is the policy of the company which is a step in line with the PMLA norms for unbiased opinion.

a) Anti-Money Laundering Team

AML team is being formulated which is made by one of the Trading Division officer, one of the DP division officer and a Principal Officer who is being appointed as a nodal agency between SIHL and FIU for the purpose of reporting and any communication.



Task to be performed by the Team:

- The team is being given detailed guideline for: routine verification of documents, cross checking of information.
- Tracing of accounts for High Risk Clients for regular observation of trend and pattern. All CSC clients need to be thoroughly scrutinized and are treated as sensitive.
- Observation on Alerts of NSDL and CDSL at every fortnight.
- Verify any of the Exceptional Reports like High Value transactions, Dormant Client report.
- Performing Analytical observation on trend, common clients across various monthly reports etc and has to physically inquire and collect information about nature and reason of transactions if found near criticality levels fixed by this policy.
- Common client across various back office reports of high value will be compared for their financials as per Exchange norms.
- As a policy, top 10 clients every month are scrutinized for the financial status.
- Checking of identity of clients with respect to information / data of people of criminal background. FATF and other checking to be performed as a regular procedure.
- Information to be sent to the Compliance officer & Management for the client not meeting the regular financial norms and such clients are monitored for financials / family background and if not fulfilling the genuine source and capacity, the same to be treated as Suspicious for the FIU reporting.
- Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority at appropriate time interval.

The team has to keep the total working papers for the actual verification task performed and the same is to be handed over to the Principal Officer.

At the time of any change (retire / appointment) of Principal Officer the same should be reported to FIU well in time.

b) Internal Audits

SIHL has been implemented internal audit for total Depository Operations and Trading operations and the same also works as one of the checks for requirement analysis and client information



modification checking. Our internal auditors have the access of the systems and are given powers to test / suspect money laundering transactions.

c) Client Due Diligence

Client Due Diligence is to be performed for KYC norms and Internal observation of flow of transactions. CDD is mandatory for each of the cases. There is nothing which curtails or result into non performance of CDD for any of the clients. Amount of Investment or any of the referral is not a bar for performing CDD.

For CDD the measures that need to be taken are as follows:

- a) Identify your customer and verify his identity by using independent source document. Client needs to be identified for residence, business set up, reference etc. and related proofs needs to be verified for completeness of KYC norms and correctness of information.
- b) Identify Beneficial Owner, verify his identity and get information about ownership and control structure of your customer.

Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

- a. Identify controlling interest of natural person
- b. 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.
- 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.
- d. In case of Trust, SIHL shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in that trust.



Verify the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted.

- c) Obtain information on the purpose of business relationship and more importantly intended nature of the same and also ensure that whether the customer is a politically exposed person.

AML team has to perform for the business relationships, trading experience and whether client or nominee has been politically exposed.

- d) Undertake risk profile of your client by utilizing KYC document.

The same is to be done by collecting Financials of clients, bank account details, trading cycle and experience, mode of payment and volume with respect to each of these points. Apart from the above, risk profit is highlighted by risk assessment as per **III above**.

Update Back office for client information by updating modification file of KRA, at the KYC platform.

- e) Obtain sufficient information in order to identify person who is beneficially the owner of the transaction. Whenever it is being found that, the beneficially owner is different person than who is acquiring or dealing the security, the account needs to be scrutinized by AML team for cross verification in detail and will be shifted at High Risk Client Group.

AML team has to finalize a list of client IDs who are segregated for detailed verification in a month considering Risk Profile and Activity conducted (called as high volume clients). In case of High Risk clients and In case of CSC clients also, each client is demanded for required information and necessary clarification pertaining to the activity undertaken in the respective account.

Such clients' financials to be seen for justification of high value transactions. IT return and Demat account value will be considered for the initial observation. In case not justifying, compliance officer and management will inquire for the family financials and will decide about the suspicious status.

AML team has to verify the same by independent source document and following is insisted for detailed scrutiny:

- Client Information given at the time of account opening
- Bank and Depository Account details
- Investment / Trading Experience



- **References: positive references of existing customers, friends**
- **Financial & Income Tax Documents and resolutions etc**
- **Proofs of identity and address**
- **MAPIN / PAN / Passport / Driving License / Ration Card**
- **Nature of Transaction being undertaken**
- **KRA Compliance**

f) Level of CDD depends upon the level of Risk profit of the client as per point III above. SIHL expects that – for client at High Risk category, all the steps of CDD with physical meet with principal officer is insisted (except for NRIs).

And for medium and low risk, SIHL has framed CDD, which takes 10 to 25 numbers of clients every month as a sample and all the stages of CDD needs to be observed.

g) Make CDD process an ongoing exercise. Here company has to perform updations of client KYC information like yearly financials, tax returns, demat statements etc. where ever required as per the operative norms of exchanges etc. Regular updation of records and information is a part of CDD.

h) Hiring of employees of SIHL will be done only after adequate screening procedures. For recruitment of new staff, the HR department has to keep a track of reason of leaving old job (if any) and social and financial structure of the family. Information with respect to the existing social status need to be collected.

HR has to have the details of family history, political connections for the new staff. Also, it is a policy to have at least one referral for any new recruit if the job involves client interaction.

VI. Reporting to FIU – INDIA

AML team has to – at an ongoing base scrutinize client transaction and KYC norms. As per the above IV : SIHL has to report Cash Transaction report and Suspicious Transaction report to Financial Intelligence Unit – Government of India – New Delhi.

Principal Officer has to identify for Suspicious transaction after the CDD as listed in V above and for the same, any of the reply from client needs to be considered – before reaching to a conclusion,



there will be a re- look towards actual Flow of Transaction. Principal Officer has to internally report about the reason of suspicion.

Report structure has to be strictly followed.

VII. Observation as to UAPA Amendment Act, 2008

Company has to observe the rules regulations given as per UAPA Amendment Act, 2008 and as per the same, 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. As an intermediary, company has to ensure effective compliance of the law by sharing relevant information to the concerned department.

VIII. Testing for Implementation and Modification

SIHL implementation of these Guidelines also includes procedures for testing of these guidelines and norms.

We have established a timetable for regular review of the AMLP to keep the same in compliance with the regulations and the same is done every half yearly by General Manager of SIHL with the implementation observation.

The basis aim of the same is to create awareness of security features and plans: among users of Electronic Information resources and to constant upgrade their knowledge with the developments of the Information technology environment adopted at our company: Shah Investor's Home Ltd.

IX. Staff Awareness Program

The basis aim of the same is to create awareness of Anti Money Laundering Policy and the basis rules and regulations of PMLA 2002: among Staff Personnel who are doing client account opening, client verification and operational aspects of Trading and DP division. The same also includes all the said personnel at all the Branches also. They should be strictly been explained that whenever any fact is been observed which is akin to the breach of Anti Money Laundering, the same should be informed to the Principal Officer without fail.



SIHL has to set a quarterly presentation for staff awareness on the subject and the same will also give outline for Verification processes. It will cover different levels of personnel: Front office, Back office, compliance staff, staff performing risk management and staff doing In-person verification. The same should constant upgrade their knowledge with the developments of the PMLA and legal requirements.

X. Responsibility Statement

Considering the latest development and SEBI circulars dated 12.3.2015, top management has appointed Designated Director to ensure overall compliance of the PMLA guidelines. Ms. Preeti Shah is nominated for the same and name has been duly intimated to Exchanges and Depositories.

It is the responsibility of the Top-level management to devise the guidelines for Anti Money Laundering policy and procedures and to maintenance, update and implement the same in compliance with the legal and regulatory norms of NSE/BSE/MCX/MCX-SX, NSDL, CDSL and SEBI.

