

SKP SECURITIES LIMITED

POLICY ON ANTI MONEY LAUNDERING (Version 1.1)

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POLICY ON ANTI MONEY LAUNDERING

1. Background:

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

This is done in three phases – Placement Phase, Layering Phase & Integration Phase.

In response to the international community's growing concern about this problem, most global organizations and national governments who are the members of the United Nations General Assembly have been actively pursuing programs to deter Money Laundering.

SEBI has initial vide circular Ref. No. ISD/CIR/RR/AML/1/06 DATED JANUARY 18, 2006 in tune with Prevention of Money Laundering Act 2002 provided guidelines for Market Intermediaries on Anti Money Laundering Standards. SEBI subsequently vide circular ref no.ISD/AML/CIR-1/2008 Dated December 19,2008 and Circular No.NSE/INVG/2008/223 dated 22nd December 2008 tends to provide further clarity on the matter.

Basic purpose of these guidelines is to prevent money laundering in any form viz. terrorist financing or drug trafficking etc., particularly through some categories of non-individual clients (i.e.CSC).This circular is applicable to The Company as a Financial Intermediary for both Stock Broking & DP services.

1.1 Definition of Money Laundering (AML)

AML is the process by which criminals attempt to disguise the true origin of the proceeds of their criminal activities by the use of the financial system so that after a series of transactions, the money, its ownership and the income earned from it appear to be legitimate. According to FATF, ML is the processing of criminal proceeds in order to disguise their illegal origin. This process is often achieved by converting the illegal obtained proceeds from their original form, usually cash into other forms such as deposit or securities and by transferring them from one financial institution to another using the account of apparently different person of other entity.

Suspicious transaction means a transaction referred to in clause (h), including an attempted 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 proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; 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;

Explanation : Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.

1.2 Financial Intelligence Unit-(India)

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

1.3 PMLA Act, 2002

Prevention of Money Laundering Act, 2002 (PMLA 2002) forms the core of the legal framework put in place by India to combat money laundering. PMLA 2002 and the Rules notified there under came into force with effect from July 1, 2005. 3.2. The PMLA 2002 and Rules notified there under impose an obligation on intermediaries (including stock brokers and sub-brokers) to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU) – INDIA.

2.THE COMPANY's steps about the Money Laundering

As per Prevention of Money Laundering Act, 2002 (hereinafter referred to as PAML Act)our Company (SKP) has to adopt written procedures to implement anti money laundering provisions.

This policy is being circulated (along with relevant SEBI circular) to all Departmental Heads so that they can understand these policies and can also clearly explain the content of the policy to all staff members business associates all the stakeholders down the line for effective implementation.

3. Objectives of AML Policies & Procedures to Combat Money Laundering & Terrorist financing

Our Company is a leading private sector intermediary in the securities market in India has a culture of maintaining highest standards in regulatory compliance. It has system to comply with established laws and regulations in order to protect the good name and reputation, reduce the likelihood of becoming a victim of fraud or illegal activity and ensure safe and sound business practices for our customers.

In keeping with our Mission, Values and Policy, we strictly observe laws of the land and refuse to aid those who attempt to evade them.

In the recent time Money Laundering and Terrorist Financing is a serious threat to financial system of all countries and it leads to destruction of the country's sovereignty and character. This has been widely recognized at the international level.

The Company has undertaken a comprehensive AML Policy for preventing Money Laundering and Terrorist Financing. The key objectives of the Policy are:

- To prevent our business channels/products/services from being used as a channel for ML.
- To establish a framework for adopting appropriate AML procedures and controls in the operations/business process of the Company.
- To ensure compliance with the laws and regulations in force from time to time.
- To protect the Company's reputation.
- To assist law enforcement agencies in their effort to investigate and track money

launderers.

- To lay down AML compliance norms for the employees of the Company.

3.1 Transaction

Transaction means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes –

- a. opening of an account;
- b. deposits, withdrawals, exchange or transfer of funds in whatever currency, whether in cash or by cheque , payment order or other instruments or by electronic or other non-physical means;
- c. the use of a safety deposit box or any other form of safe deposit;
- d. entering into any fiduciary relationship;
- e. any payment made or received in whole or in a part of any contractual or other legal obligation;
- f. any payment made in respect of playing games of chance for cash or kind including such activities associated with casino; and
- g. Establishing or creating a legal person or legal arrangement.

3.2. Reporting Entity

Reporting entity means a banking company, financial institution, intermediary or a person carrying on a designated business or profession.

3.3. Principal Officer

Principal officer means an officer designated by a banking company, financial institution and intermediary, as the case may be.

3.4 Money Laundering

Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money laundering

3.5 Client

Client means a person who is engaged in a financial transaction or activity with a reporting entity and includes a person on whose behalf the person who engaged in transaction or activity, is acting.

3.6 Intermediary

- a. 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 or any other intermediary associated with Securities market and registered under Section 12 of the Securities and Exchange Board of India Act, 1992 ; or
- b. an association recognized or registered under the forward contracts (Regulation) Act, 1952 or any member of such association; or
- c. intermediary registered by the Pension Fund Regulatory and Development Authority; or

- d. a recognized stock exchange referred to in clause (f) of Section 2 of the Securities Contracts (Regulation) Act 1956.

4 ANTIMONEY LAUNDERING STANDARDS:

To prevent money laundering and terrorist financing, THE COMPANY observed the following key factors which are related to overall '**Client Due Diligence Process**':

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

5.1 Client Due Diligence:

I) Policy for acceptance of clients:

- THE COMPANY would not establish any business relationship with anonymous or fictitious/benami entities.
- THE COMPANY would not establish business relationship and close an existing business relationship where it is unable to apply appropriate customer due diligence measures i.e. unable to verify the identity and/or obtain documents required as per SEBI/regulatory authorities' circular/guidelines.
- THE COMPANY would exercise due care before admitting new client so as to ensure that the identity of the client does not match with any person with known criminal background or banned entities
- THE COMPANY would keep the customer profile as confidential

II) Procedure for identifying the clients i.e KYC standards:

We would have detailed Customer Identification Procedure in place and obtain the documents depending upon the status of the customer. Operating staff should exercise due diligence and care while opening an account in terms of SEBI guidelines/regulations and legal compliance in force.

As per SEBI circular and from various authorities regarding mandatory updation of 6-KYC attributes for both existing and new clients is applicable and needs to be updated as per the prescribed deadline from time to time. (**Six Attributes – Name, Address, Pan, Valid Mobile number ,Valid Email ID and Income Range**)

Due diligence will involve correctly profiling the customer in the account opening forms covering the following:

- i. Occupation
- ii. Educational Qualification
- iii. Introduction Details
- iv. PAN
- v. Correspondence & Permanent address
- vi. Bank a/c
- vii. Demat a/c
- viii. Income details etc

At the time of opening the account we should obtain the different types of verifications/documents:

a) **Identity proof:** For obtaining the PAN as identity proof we must follow the below mentioned procedures:

- Check the availability of the PAN from which is the authorized site of Income Tax Department of India.
- Verify the PAN with original and put “In person verification” stamp with employee code & signature as proof of identification.
- Take the self signature of the client on the photocopy of the PAN (with stamp in case of non individual clients).
- In case of non individual client, the PAN copy, the entity of the authorized person(s) should also be collected. In addition to this an authorization approval should also collected from the relevant authority. The verification procedures of the PAN should be same as in case of individuals.0

b) **Address proof:** While taking the address proof for the purpose of opening account with us we must follow the SEBI guidelines. We should only obtain the SEBI listed address proof which should also be verified by our employee with signature & employee code. This should be self- certified by client (with stamp in case of non- individual clients).

For the purpose of verifying the availability of the client at the address mention in KYC we must send a welcome letter to the correspondence address through regular postal service.

Aadhaar Letter as Proof of Address for Know Your Client (KYC) norms

In consultation with Unique Identification Authority of India (UIDAI), Government of India, it has now been decided that the Aadhaar Letter issued by UIDAI shall be admissible as Proof of Address in addition to its presently being recognized as Proof of Identity.

As per the notification issued by the regulator wherein they have ordered all account holder to link Adhar Card to their accounts by March 31, 2018. In case any account is not linked with Aadhaar before that date, then those accounts would be suspended, till Aadhaar is linked.

c) **Photograph:** The photograph affixed in the form should be identical to the person who has visited our office while opening account.

d) **Email & Mobile:** Incase email is provided by the client, we must send a test mail to the registered email of the client for verification purpose and in case mobile number is provided by the Client, we must check validity of the mobile number by calling the client directly through recorded line.

e) **Income & occupation:** We must also the client income information, occupation (viz. salaried, Business man etc.) with the relevant proof (where applicable).

f) **Clients under NRI category:** In case of NRI client, apart from the above, we must also collect copy of passport along with copy of PAN card. Moreover the NRI account can be opened when the client is present in India.

g) **For Non-individual clients:** For corporate client, apart from Company’s Memorandum, Board Resolution, Annual Report and Shareholding pattern we should also obtain ID proof and address proof of directors/authorized signatories in case of Companies, Partners in case of Partnership firms and

Karta in case of HUF. Any one of the authorized signatories has to come in person to open account.

- h) **Other precautions:** While opening the account we must do some general checking like, whether the client has any criminal back grounds, client has any connection with broking business, third party monetary or non -monetary asset have involvement in the client's assets detail etc.

As a rule No Power Of Attorney to the company (except for DP operation) will be accepted.

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

With the introduction of KRA system and CKYC System, we can rely on the data of the Client as available with the KRA registering authorities and CKYC (CERSAI). However, we should still take adequate care about the correctness of data as submitted by the Client and if we are not satisfied, we can ask the client to submit further data. In case of mismatch of data as fetched from the KRA system and CKYC System (CERSAI), fresh documents should be taken from the client and thereafter it is to be updated in the KRA system and CKYC (CERSAI) system.

5.3 Identification of Beneficial Owner

The primary objective of this policy is to ensure that we are aware as to who is the ultimate beneficiary of the transaction and that the transactions executed, through the mandate holder is bona-fide. It is possible that some of the individual clients might appoint a mandate holder. Normally the trading account is opened in the name of various family members but one of the family member can hold the mandate. Also, in case of some NRI clients who are based abroad, there may be on a POA/Mandate in favour of a person residing in India.

Whenever any account is operated by a mandate holder, find out the relationship of the mandate holder with the client, followed by establishing the identity of the mandate holders by obtaining proof of identity and address.

We should not accept any payment from the account of mandate holder in favor of the client. All the payments have to be received from the client's bank account only for which the POA holder may or may not have the mandate to operate the bank account. Similarly pay-out cheques should be issued only in the name of the client and not in the name of the mandate holder. In case there is suspicion on the relationship between the mandate holder and the actual client or in case the behavior of the mandate holder is suspicious, do take necessary advice from the Business Head.

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

- a) The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.

Explanation: Controlling ownership interest means ownership of/entitlement to:

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

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

b) 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.

Where the client is a trust, we should identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

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 listed company, it is not necessary to identify and verify the identity of the beneficial owner of such companies.

In case client is foreign investors

For the purpose of identification of beneficial ownership of the foreign investors' viz., Foreign Institutional Investors, we shall identify beneficial owners with shareholding or beneficial interest in the client as per the SEBI circular. If Global Custodian /Local Custodian provide an undertaking to submit these details, then we shall take such undertaking only. In this context we shall rely on the clarifications issued by SEBI vide its circular CIR/MIRSD/11/2012 dated September 5, 2012 & CIR/ MIRSD/ 07/ 2013 dated September 12, 2013. The compliance of the aforementioned provision on identification of beneficial ownership shall be monitored by the senior management of SKP. Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted. Understand the ownership and control structure of the client.

Conduct ongoing due diligence and scrutiny, i.e. perform on going 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.

5.4 Risk Based Approach:

Individuals and entities whose identity and sources of wealth can be easily identified and transaction in whose account and large confirm to the known profile, may be categorized as low risk* (example: customer with well- defined salary structures). Further, customers that are like to pose a higher than average risk to the Company may be categorized as medium** or high risk*** depending on factors such as customer's backgrounds, nature and location of activity etc. (example: clients in high risk countries i.e. where fraud is highly prevalent or sponsors of international terrorism like Dubai, Afghanistan etc, client of special category(CSC) or introduced by CSC. The Financial details of the investors will be updated annually falling under high risk category.

However, while carrying out transaction for/by the client RMS team /department should monitor the trading activity of the client and exercise due diligence to ensure that trading activity of the client is not disproportionate to the financial status and track record of the client.

*. Average daily turnover < Rs 200 lakhs in CM and < Rs 500 lakhs in FNO. Holding shares over Rs. < 5 crore

**. Average daily turnover > Rs200 lakhs but less than < Rs 500 lakhs in CM and in FNO more than > Rs 500 lakhs but less than < Rs 800 lakhs Holding shares over Rs. > 5 crore less than < 10 crore

***. Average daily turnover > Rs500 lakhs in CM and in FNO more than > Rs 800 lakhs . Holding shares over Rs. > 10 crore

Re- KYC is to be done for active clients as per details:-

- a. Low Risk clients every seven to ten years.
- b. Medium Risk clients every five to seven years
- c. High Risk clients every three to five years.

Shifting of clients from their risk categorization is done based on the trading pattern and payment and receipt of funds and securities pattern. Based on the same observation is created and shifting of client from low to medium and medium to high and vice versa is done.

5.5 Clients of special category (CSC):

CSC clients include the following:

- 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), shall also independently access and consider other publicly available information. SEBI vide its communication dated November 20, 2019 has informed the Exchange about the public statement dated October 18, 2019 released by the Financial Action Task Force (FATF) as part of the on-going efforts to identify and work with jurisdictions with strategic AML/CFT deficiencies with regard - Jurisdictions subject to a call for counter-measures:

Democratic People's Republic of Korea (DPRK), Jurisdictions subject to a call for enhanced due diligence measures: Iran.

The said FATF public statement is also available at the below mentioned URL:

<https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-february-2020.html>

<https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-february-2020.html>

FATF has also published a public document "Improving Global AML/CFT Compliance: On-going Process".

The said FATF public document is also available at the below mentioned URL:

<https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-february-2020.html>

viii Non face to face clients

ix Clients with dubious reputation as per public information available etc..

. * High Networth holding shares over Rs. 10 crore.

5.6 Risk Assessment:

In order to ensure efficient implementation of the AML framework by regularity authority, we should carry out risk assessment to identify, assess and take effective measures to mitigate the money laundering and terrorist financing risk with respect to clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, 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. The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. The updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions.

5.7 List of Designated Individuals/Entities

SEBI Master Circular ISD/AML/CIR-1/2008 dated December 19, 2008 and Circular no.ISD/AML/CIR-1/2009 dated September 1, 2009 on Anti Money Laundering (AML) Standards/Combating Financing of Terrorism (CFT)/Obligations of Securities Market Intermediaries under PMLA, 2002 . The company will follow the procedures mentioned in the above notification before opening any new account. It will be ensured that the name/s of the proposed customer does not appear in the list and shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities. 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) can be accessed in the United Nations website at <http://www.un.org/sc/committees/1267/1267.htm>

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

The Company shall ensure the effective and expeditious implementation of Order issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009 have been duly implemented.

6. Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR):

THE COMPANY will maintain records of all suspicious transactions. 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;(b)appears to be made in circumstances of unusual or unjustified complexity, or (c) appears to have no economic rationale of bonafide purpose. The records pertaining to suspicious transaction would contain the date on which the transaction was conducted, the nature of transaction, the amount of transaction & the party to transaction was executed.

A. Nature of transaction: At the time of identifying the suspicious transaction we can consider the following transactions to be suspicious in nature:

- I. Huge transactions that not match with client's income & assets (like Demat holdings).
- II. Continuous payment made by demand drafts/pay order/banker's cheque etc. or bouncing of cheques.
- III. Huge or continuous off market transactions.
- IV. Unusually rise in transaction without any justified economic reason.
- V. Unusual huge transactions of dormant accounts.

The above transactions are illustrative only. THE COMPANY will review & update it time to time.

B. Parties to transactions: For the purpose of identifying the suspicious transactions the following clients of special categories(CSC) should be taken into account:

- a. High Net worth Client
- b. Non- resident in India.
- c. Politically Exposed Person (PEP) of foreign origin or his/her family member
- d. Client or his/her family member with Criminal offence.
- e. Companies having close family shareholdings.
- f. Trust, Charities, NGOs and organizations receiving donations
- g. Current/Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, close advisors and companies in which such individuals have interest or significant influence).
- h. Companies offering foreign exchange offerings

Sharing of Information

Conducting presentations from time to time to create awareness amongst the concerned employees and / or by sharing information over email and / or telephonically. Principal Officer shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. Company shall capture the KYC information for sharing with the

CKYCR in the manner mentioned in the Rules, as required by the KYC templates prepared for 'individuals' and 'Legal Entities'. The Company will endeavor for monitoring transactions to identify potentially suspicious activity. Such triggers will be investigated and any suspicious activity will be reported to FIU-IND.

Process of Identifying & Monitoring of Suspicious Transactions:

I. Identification process of Suspicious Transactions:

A transaction can be identified as suspicious from the following way from documents departments report:

- i. Weekly turnover report (which include synchronized/high volume/square up trades).
- ii. Fortnightly demat transaction report

Intimation of CSC client registration should be given to A/Cs, Delivery, DP (for DP client) & Risk department by Operations department so that all transactions of this client can be monitored since beginning.

II. Monitoring of Suspicious Transactions:

All this report of suspicious transactions must go to Head-Finance, Delivery, DP, Risk, and Internal Audit & Compliance department for their perusal. One copy of this report should reach to Principal Officer within the next 2 working day.

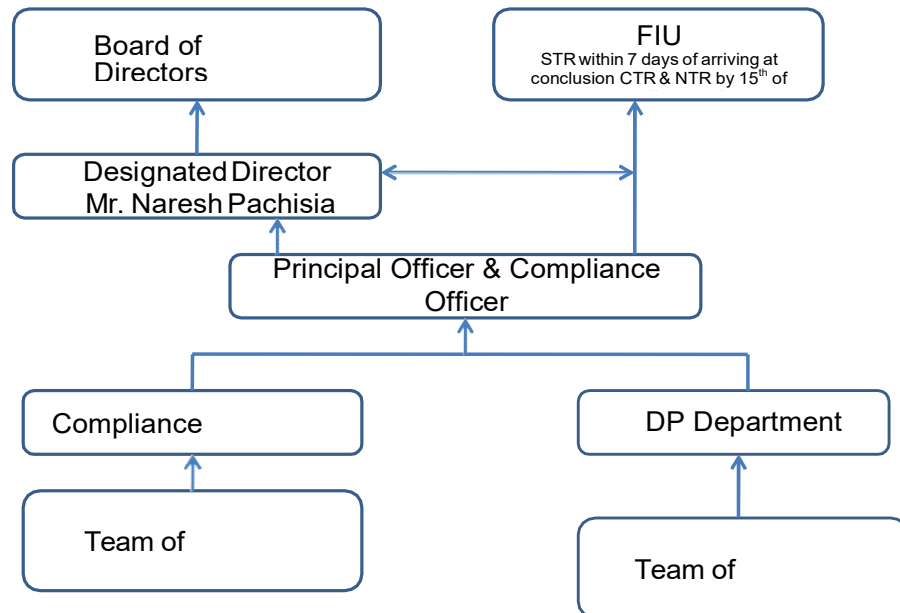
Internal audit department will conduct exhaustive checking of KYC and annexed documents of all suspicious clients as well as CSC clients within next working day. Similarly A/Cs, Delivery, DP & Risk department will also give report to Principal Officer regarding whether they have noticed any irregularities in transactions done by CSC and these suspicious clients will be re-scrutinized by Internal Audit department. Contract notes, share ledger, funds ledger & other audit trials of transactions must also be checked on a sample basis by Internal Auditor and report must be given to all the members of the PMLA committee including the MD, who will in turn have a meeting and brief the Principal Officer. Any serious issue is to be highlighted to the Principal Officer immediately.

On the basis of these reports necessary action will be taken by Principal Officer including filing of suspicious report. Necessary steps will also be initiated for closure of account. A report containing all transaction exceeding Rs. 10 lacs should come to Principal Officer for his scrutiny. No Bank Draft/PO/Bankers Cheque will be accepted from CSC as it will have no audit trial of customer's source of fund like A/C payee cheque.

If it is found that transactions of any clients has increased rapidly in a very short span of time which is not commensurate with his financial conditions as disclosed in the KYC of the client then special care should be taken to scrutinize this accounts & ask for further requirements like latest financial status etc. Moreover no client will be allowed to trade without sufficient Margin.

In case of dormant account, before activation of such account we must review the client registration documents in the light of recent circular given by regularities and as well as call the client to confirm the genuineness before activation under the same UCC.

Reporting Hierarchy



III Transaction for DP:

Irrespective of market/off market transaction, if the value of transaction exceeding Rs.5lacs we must get confirmation from the client. Moreover such transaction must be cleared by the senior official only. In case of dormant account, if any high value transaction takes place, before approving the transaction we must ensure that we are checking the authenticity of the transaction by cross checking the client.

IV Dormant policy:

Client who has not traded for period of one year or above are treated as dormant account. There should be a check policy on this account whenever they wish to trade after the said. At first these clients are set as suspended in the trading terminal as well as back office and no fresh trade is allowed. A letter is required from the client if they are suspended with a valid proof if possible. The account can be converted to active status and trading is allowed once the concerned officer is satisfied with the letter and valid proof if provided.

Re -KYC is to be done as and when the client request for re-activation of the dormant account.

As there is a policy for settlement of funds & securities quarterly, we have to make a payout of funds & securities once in a quarter

7. Employees' Screening:

7.1 Employees' Hiring & Training

We shall have adequate screening procedures in place to ensure high standards when hiring employees and shall identify the key positions within the organization structures having regard to the risk of money laundering and terrorist financing and the size of the business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

7.2 Employees' Training:

Adequate training program shall be conducted for all frontline staff, back office staff, compliance staff, risk management staff, accounts staff and staff dealing with new customers.

The AML training program shall address the requirements relating to the following:

- Meaning of money laundering.
- Identification of suspicious transactions.
- AML requirements.
- Possible risk of not adhering to the AML requirements.
- Requirements for adequate AML procedures.
- Methods of recognition of suspicious transactions or suspicious behavior of a client.
- Reporting system of suspicious transactions.

Training must relate to employees' daily work and complete from business including continuous training needs.

7.3 Investor Education:

THE COMPANY shall also educate the clients on the objectives of KYC/AML by holding related programs of the intermediary by the following way:

- Preparation of specific literature/pamphlets/FAQ.
- Hosting AML related seminar organized & lead by higher authority of the Company in different venue.
- Hosting relevant KYC/AML information on the website of the Company.

8. Retention of Records:

THE COMPANY shall ensure that the documents like KYC, Agreements; DI slips etc are properly kept in records. It is supervised by senior official and retained on their customer relationships and transactions to enable reconstruction of transaction.

The records shall be maintained for a period of Ten years from the date of cessation of the transaction. Records shall be maintained in a manner, which facilitates its easy retrieval as when required.

Nomination

In reference to the SEBI Circular SEBI/HO/MIRSD/RTAMB/CIR/P/2021/601 dated July 23, 2021 regarding Nomination for eligible Trading and Demat Account. In this regard Investor opening new Trading or demat Account from 01st October 2021 shall have the choice of providing nomination or opting out nomination. Further all existing eligible Trading and Demat Account shall provide choice of Nomination or before March 2022 falling which trading and demat account shall be frozen for debits.

9. Appointment of Designated Directors Principal Officer:

Mr. Naresh Pachisia has been appointed as Designated Director.

Mr. Anil Shukla has been designated as the Principal Officer for ensuring compliance of provisions of PMLA Act and accordingly it has been communicated to Office of the Director-FIU(New Delhi).

We have also designated Mr. Gaurav Agarwal, as members of the working group on PMLA for regular review of the policies and procedures on prevention of money laundering and terrorist financing to ensure their effectiveness. They will report all serious issues to the Principal Officer.

10. Reporting to FIU – India

In terms of the PMLA rules, the company will report information relating to cash and suspicious transactions to the director, Financial Intelligence unit India (FIU – IND) at the following address:

Director, FIU – IND
Financial Intelligence Unit India
6th floor, Hotel Samrat
Chanakyapuri
New Delhi – 110021

10.1 Company shall maintain the record of all transactions including, the record of—

- a. all cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency
- b. all purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity, as the case may be.

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

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.

SKP shall not put any restrictions on operations in the accounts where an STR has been made. Intermediaries and their directors, officers and employees (permanent and temporary) shall be prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND

Review

The policy will be reviewed by us on a yearly basis by the audit committee of the company and as and when any changes are notified by FIU/SEBI/Stock Exchanges/ Depository.

Dated: 24th July, 2021
Version 1.2021