

POLICY
ON
ANTI MONEY LAUNDERING
FOR STOCK BROKING
AND DP OPERATIONS

Adopted By Bhargava Lodha Stock Brokers Pvt Ltd

PMLA POLICY

Bhargava Lodha Stock Brokers Pvt Ltd . had designed this policy of PMLA and effective AML program to prohibit and actively prevent the money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities or flow of illegal money or hiding money to avoid paying taxes. To discourage and identify any Money Laundering or Terrorist financing Activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Maintenance of records of the Nature and Value of Transactions. To protect the interests of investors in securities and to promote the development of and to regulate the securities Market.

This policy provides a detailed Account of the procedures and obligations to be followed to ensure compliance with issues related to KNOW YOUR CLIENT (KYC) Norms, ANTI MONEY LAUNDERING (AML), CLIENT DUE DILIGENCE (CDD) and COMBATING FINANCING OF TERRORISM (CFT). Policy specifies the need for Additional disclosures to be made by the clients to address concerns of Money Laundering and Suspicious transactions undertaken by clients and reporting to FINANCE INTELLIGENT UNIT (FIU-IND). These policies are applicable to both Branch and Head office Operations and are reviewed from time to time.

Every possible measures are taken for the effective implementation of the Policy. The measures taken are adequate, appropriate and abide by the spirit of such measures and requirements as enshrined in the PMLA to the best of our satisfaction.

INTRODUCTION:

Background:

Pursuant to the recommendation made by the Financial Action Task Force on Anti Money Laundering standards, SEBI had issue the guidelines on Anti Money

Laundering standards vide their notification no. ISD/CIR/RR/AML/1/6 dated 18th January 2006 and vide letter no. ISD/CIR/RR/AML/2/6 dated 20th March 2006 had issue the obligation of Intermediaries registered under section 12 of the Securities and Exchange Board of India Act, 1992. As per the SEBI guidelines, all Intermediaries have been advice to ensure that proper policy frameworks are put in place as per the guidelines on Anti Money Laundering standards notify by SEBI

What is Anti Money Laundering?

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

This is done in below mentioned three phases

1. Placement Phase
2. Layering Phase
3. Integration Phase

Financial Intelligent Unit (FIU) The government of India set up Financial Intelligent Unit -India (FIU) 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 transaction. 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 Crimes.

The Prevention of Money Laundering Act, 2002 (PMLA)

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July, 2005. Necessary Notifications / Rules under the said Act have been published in the Gazette of India on 1st July 2005 by the Department of Revenue, Ministry of Finance, and Government of India.

As per PMLA, every banking company, financial institution (which includes Chit Fund company, a co-operative bank, a housing finance institution and a non-banking financial company) and Intermediary (which includes a Stock-broker, sub-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, merchant banker, underwriter, Portfolio Manager, Investment adviser and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) shall have to maintain a record of all the transactions, the nature and value of which has been prescribed in the Rules notified under the PMLA. For the purpose of PMLA, transactions include:

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

All series of cash transactions integrally connected to each other, which have been valued below Rs.10 Lakhs or its equivalent in foreign currency, such series of transactions 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 BLSBPL.

For the purpose of suspicious transactions reporting apart from `transactions integrally connected', `transactions remotely connected or related need to be considered.

“Suspicious Transactions” 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 Anti-Money Laundering Guidelines provides a general background on the subjects of money laundering and terrorist financing in India and provides guidance on the practical implications of the PMLA. The PMLA Guidelines sets

out the steps that a registered intermediary and any of its representatives, need to implement to discourage and identify any money laundering or terrorist financing activities.

OBJECTIVE:

The main objectives of the PMLA are as follows:

1. To have a proper Customer Due Diligence (CDD) process before registering clients.
2. To monitor / maintain records of all cash transactions of the value of more than Rs.10 lacs.
3. To maintain records of all series of integrally connected cash transactions within one calendar month.
4. To monitor and report suspicious transactions.
5. To discourage and identify money laundering or terrorist financing activities.
6. To take adequate and appropriate measures to follow the spirit of the PMLA.

GUIDELINES:

Bhargava Lodha Stock Brokers Pvt Ltd being a SEBI registered intermediary complies with the spirit of anti money laundering provisions. To comply with PMLA, the following three specific parameters should be observed, which are related to the overall 'Client Due Diligence Process':

1. Policy for acceptance of clients;
2. Procedure for identifying the clients
3. Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR).

Client / Customer Due Diligence (CDD):

For the purpose of CDD, Broker is dealing with institutional clients. According to SEBI regulation / rules Institutional clients includes:

1. Banks

2. Mutual Funds
3. Foreign Institutional Investors (FII)
4. Financial Institutions
5. Insurance Companies

According to SEBI, all trades done by institutional client should be settled through Clearing House. In clearing house trade, trades are settled by Broker and custodian of the respective client. In view of above, following steps to be taken to comply with 'Customer Due Diligence' process before registering as client:

1. Obtain basic details for the purpose of the complying with KYC norms prescribed by SEBI.
2. List of Directors and authorized person to trade on behalf of client and copy of Board resolution to that effect.
3. Obtain SEBI registration number.
4. Obtain Custodian details with whom client trade to be settled.
5. Obtain contact details of client front / back office and contact person.
6. Obtain PAN NO. (Income Tax number).
7. Obtain risk Disclosure Document duly executed by prospective client as prescribed by SEBI.

Before registering client, obtain antecedent information. Verify independently information submitted by client but not limited to his identity, registered office address, correspondence address, contact details, occupation, Promoters / Directors, source of income, experience in securities market, PAN no. SEBI Registration No. etc. Obtain as many as information.

The client / customer due diligence (CDD) measures comprise the following:

Client Information & Identity: Generally Institutional client are recognize at global level. We need to verify clients identity and origin using services of Bloomberg, Reuters, internet services or any other reliable, independent source

documents, data or information. After verifying information, registration form along with other supporting documents should be approved by Compliance Officer designated for verification.

Beneficial Ownership and control:

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. After completing registration process, client account should be verified by independent employee to check the actual beneficial ownership and control of the particular account. We need to obtain the details with respect to Shareholders, Promoters from the client and it has to be verified independently. In this process we should find out who is authorized to operate the client's account and who is ultimately controlling the account. Also verify the sources of funds for funding the transaction. We also have to take care at the time of settlement regarding nature of transaction, movement / source of transaction, etc. Periodically ask for client's financial details to determine the genuineness of transaction.

Periodically we need to conduct due diligence and scrutiny of client's transaction and accounts to ensure that transactions are being conducted in knowledge, to find out the risk profile, source of funds, etc. At regular interval, ongoing due diligence and scrutiny need to be conduct 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 Organization' s knowledge of the client, its business and risk profile, taking into account, where necessary, the customer's source of funds.

Before registering client, we need to identify the following details of the prospective client :

Ongoing due diligence and scrutiny:

1. Ascertain the category of clients before registration as Client. (i.e. Individual or Corporate, FII, Mutual Fund, PMS or other).

2. Obtain all necessary documents for registration. (Photograph, Photo Identity, Proof of Address, copy of PAN, etc.). Documents should be verified with original and same to be counter signed by Authorized representative of the organization.
3. Obtain copy of Bank Statement for ascertaining the mode of payment of transaction.
4. Registration of clients to be made on physical presence of the prospective client.
5. Obtain antecedent details of the prospective client.
6. Ensure that new registration is to be made in clients name only.
7. Ensure that account should not open in fictitious or benami name.
8. Client's occupation, sources of income
9. Determine the parameter to categories of client as per risk
10. Obtain financial statement for at least for last 2 years duly certified by Chartered Accountants.
11. Ensure that all details of KYC form should be complete in all respect
Incomplete KYC should not accept by organization.
12. Organization should not register client in case any kind of doubt has been raised by client (i.e. unable to submit required form/proof, any suspicious behavior noticed at the time of registration, etc.)
13. Account should not opened where organization cannot apply Customer Due Diligence / KYC policies.
14. The client's account should be scrutinized regularly for determining nature of transaction taker place. In case of any suspicious transaction, the account should be freezer or securities / money should not be delivered to client.

4. Policy for acceptance of clients: .

A) Low Risk

B) Medium Risk

C) And High Risk should be classified

1.3 Risk Evaluation

(i) For the purposes of assisting the CAC in risk categorization of a prospective Client, the RM shall, in the process of IPV, try and understand/know the following details during the interaction with the prospective Client (if he can collect some evidence for the details, it would add further value in assessing the Client before taking him/her on board):

In case of individuals, the RM must ascertain the following: -

What is the occupation of the Client

If the Client is in business, what is the pattern of his stake holding in business (single or multiple businesses)

What is the primary source of Income of the Client

Who are the primary bankers of the Client

What is the investment value of the Client as on date

What is the investment pattern i.e.; where are majority of his investments placed

Does the Client have any borrowings, if so, what constitutes major borrowings

What is the family background of the Client, who are the other contributors to family income

What is the occupation/source of income of close relatives i.e; parents, spouse, siblings, children etc.

What is the Clients general reputation in the market/social strata?

Has the Client been directly or indirectly involved in any scam/criminal/anti social activity

Does the Client invest in Capital Markets, if so, since how many years?

In case of non- individuals, the RM must ascertain the following: -

Business carried on by the entity; -

Nature of the entity; -

Annual Turnover / revenue of the entity; -

Investments (if any) already made in the capital market; -

Identity of the stakeholders in the entity; -

Beneficial owners of the entity as prescribed by SEBI; -

Persons in actual control and management of the entity; -

What is the Client's general reputation in the market –

Has the Client been directly or indirectly involved in any scam/criminal/anti social activity –

Does the Client invest in Capital Markets, if so, since how many years –

Scope and nature of the proposed transaction, its purpose and end use and whether the proposed transaction seems unnecessarily complex or unusual

(ii) These basic details need to be documented in a Risk Profile Sheet and submitted to the CAC along with other KYC documents for approval. These details would be archived for future purposes.

1.4 Client Acceptance Committee (CAC)

(i) All prospective Clients except Institutional Investors shall be accepted through the CAC approval process. Provided that, if an Institutional Investor falls into any High Risk category, (for instance, if such investor is located in a risk country) the approval of the CAC will be required.

(ii) The CAC shall be presented with all relevant information including the KYC Documents and Risk Profile Sheet and the Client will be accepted only after the CAC has approved the suitability and acceptability of the Client.

(iii) Based on the documentation submitted and the guidelines for risk categorization, the CAC will assign a risk profile to each Client (i.e. “High Risk”, “Medium Risk” and “Low Risk“).

(iv) In case of High Risk Clients, the specific approval of the Chief Principal Officer of BLSBPL will also be required. In case of Politically Exposed Persons (i.e. 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) the approval of the Chief Principal Officer and Directors of BLSBPL will be required in addition to approval of CAC and Chief Principal Officer of BLSBPL prior to accepting the Client as an enhanced due diligence measure.

RISK PROFILING OF THE CLIENT

It is generally recognized that certain customers may be of a higher or lower risk category depending on circumstances such as the customer’s background, type of business relationship or transaction etc.

Typically the clients of AAL should be classified as High Risk, Medium Risk, Low Risk

Risk Category	Indicative List of clients
High Risk	<ul style="list-style-type: none"> a. Non resident clients b. High networth clients, (clients having trade value of Rs. 25 lacs on per day , Annual Income of Rs. 25 lacs and/ or Networth of Rs. 3 crs and above) also for any off market/market pay in/payout instructions above the prescribed limit have to be verified by confirming with client over phone / by email/ and or trading team. c. Trust, Charities, NGOs and organizations receiving donations d. Politically exposed persons (PEP) of foreign origin e. Current / Former Head of State, f. 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) g. Companies offering foreign exchange offerings h. 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

	<p>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.</p> <p>i. Non face to face clients j. Clients with dubious reputation as per public information available etc</p>
Medium Risk	Individual and Non-Individual clients falling under the definition of Speculators, Day Traders and all clients trading in Futures and Options segment and provided adequate margins / collaterals
Low Risk	Senior Citizens, Salaried Employees and a major portion of clients who indulge in delivery based trading

*This list is indicative. The risk profile also depends on trading pattern, payment pattern, financial status and background of the client. BLSBPL shall put in place system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures in case of higher risk perception on a client. For High Risk Clients, categorization should be carried out at least once in a six month while for Medium and Low Risk Clients, categorization frequency should be once in a year

The following safeguards are to be followed while accepting the clients:

- a) The client account should not be opened in a fictitious / benami name or on an anonymous basis.
- b) Risk perception of the client need to defined having regarded to:
 1. Client's' location (registered office address, correspondence addresses and other addresses if applicable);

2. Nature of business activity, tracing turnover etc. and

3. Manner of making payment for transactions undertaken.

The parameters of clients into Clients of special category (as given below) may be classified as higher risk and higher degree of due diligence and regular update of KYC profile should be performed.

c) Documentation like KYC, Broker-client agreement and Risk Disclosure Document and other information from different category of client prescribed by SEBI and any other regulatory authority to be collected depending on perceived risk and having regard to the requirement to the Prevention of Money Laundering Act, 2002, guidelines issued by RBI and SEBI from time to time.

d) Ensure that a client account is not opened where the organization is unable to apply appropriate client's due diligence measures / KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the client, information provided to the organization is suspected to be non-genuine, perceived non-co-operation of the client in providing full and complete information. Discontinue to do business with such a person and file a suspicious activity report. We can also evaluate whether there is suspicious trading in determining whether to freeze or close the account. Should be cautious to ensure that it does not return securities or money that may be from suspicious trades. However, we can consult the relevant authorities in determining what action should be taken when it suspects suspicious trading.

e) We need to comply with adequate formalities when client is permitted to act on behalf of another person / entity. It should be clearly specified the manner in which the account should be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity / value and other appropriate details. The rights and responsibilities of both the persons (i.e. the agent-client registered with Broker, as well as the person on whose behalf the agent is acting) should be clearly laid down. Adequate verification of a person's authority to act on behalf the customer should be carried out.

f) Necessary checks and balance to be put in 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.

For new clients:

Each client should be met in person, before accepting the KYC. The client should be met at the Registered Office or any of the branch offices as per mutual convenience of the client and ourselves.

Verify the PAN details on the Income Tax website.

All documentary proofs given by the client should be verified with original.

Documents like latest Income Tax returns, annual accounts, etc. should be obtained for ascertaining the financial status. If required, obtain additional information/document from the client to ascertain his background and financial status.

Obtain complete information about the client and ensure that the KYC documents are properly filled up, signed and dated. Scrutinize the forms received at branch office thoroughly before forwarding it to RO for account opening.

Ensure that the details mentioned in the KYC matches with the documentary proofs provided and with the general verification done by us.

If the client does not provide the required information, then we should not open the account of such clients.

As far as possible, a prospective client can be accepted only if introduced by AAL' s existing client or associates or known entity. However, in case of walk-in clients, extra steps should be taken to ascertain the financial and general background of the client.

If the account is opened by a PoA/Mandate Holder, then we need to clearly ascertain the relationship of the PoA/Mandate Holder with the client. Apply the KYC procedures to the PoA/Mandate Holder also.

We should not open any accounts in fictitious / benami / anonymous basis.

We should not open accounts where we are unable to apply appropriate KYC procedures.

For existing clients:

Keep updating the financial status of the client by obtaining the latest Income Tax Return, Net worth Certificate, Annual Accounts etc.

Update the details of the client like address, contact number, demat details, bank details etc. In case, at any point of time, we are not able to contact the client either at the address or on the phone number, contact the introducer and try to find out alternative contact details.

Check whether the client' s identity matches 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 local enforcement / regulatory agency. For scrutiny / back ground check of the clients / HNI, websites such as www.watchoutinvestors.com should be referred. Also, Prosecution Database / List of Vanishing Companies available on www.sebi.gov.in and RBI Defaulters Database available on www.cibil.com should be checked.

Scrutinize minutely the records / documents pertaining to clients of special category (like Non-resident clients, High Net worth Clients, Trusts, Charities, NGOs, Companies having close family shareholding, Politically exposed persons, persons of foreign origin, Current/Former Head of State, Current/Former senior high profile politician, Companies offering foreign exchange offerings, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption / fraud is highly prevalent.

Review the above details on an going basis to ensure that the transactions being— conducted are consistent with our knowledge of customers, its business and risk profile, taking into account, where necessary, the customer' s source of funds.

Role of Relationship Manager/Dealer/Corporate Settlement/Accounts Department

Ensure that there is no currency receipts/payment to the client.

Ensure that there are no third party receipts into / payment from the clients account

Ensure that any information gathered during formal or informal conversation with clients relating to Money Laundering is passed on to the Principal Officer through the Branch/Department Head

EXECUTION OF DELIVERY INSTRUCTION SLIPS

The DP has inbuilt system for accepting & executing Delivery Instructions as follows: -

There is system to issue DIS booklets to BOs based only on requisition slip which forms part of the earlier issued DIS"s and such requisition slip has pre-printed instruction slip serial number.

DP is issuing only ONE DIS booklet containing not less than 20 slip for all category of account holders, at a time.

The instruction slip number is verified against the issue details at the time of receipt from BO

There is provision for blocking of DIS serial numbers which are already used or reported lost / misplaced and or stolen.

DP executes instructions only on basis of duly signed instruction slips by all account holders or as per instructions registered with DP and the signatures are duly verified with our records.

DP verified corrections / cancellations on the instruction slips, if any, and whether authenticated /signed by all account holders or registered signatories.

There is a system in place to prevent MULTIPLE EXECUTION OF SAME NUMBERED INSTRUCTION

The daily report with respect to HIGH VALUE Transactions (including null report) being generated is verified by Senior Official of DP and Chief Principal Officer of Company and an email to be sent to Director (s) also indicating the complete details of the transactions.

DP has systems and procedures to DOUBLE CHECK transactions originating from DORMANT ACCOUNTS , (an if any found then processing of the same is done with extra care, like verifying with the client either email/phone /fax and if required to obtain a confirmation for the same , of having issuing a instruction slip)

In case of off-market transactions, confirmation is sought from the clients regarding the instructions sent by him and the reasons for such transfers. The details of the same have to recorded in the Inward register which contains Offmarket, InterDP, Early Payin details with remarks if any. In addition, we write the confirmation/ communication with the client details and the reason for such transfer on the reverse of DIS in case of off market/dormant and high value instruction slips, which are as follows:-

1. reasons
2. person spoken (authorized person)
3. Date
4. Contact details

We normally issue ONE DIS booklets containing at least 25 slips to every category of client.

5. Acceptance of clients through Risk-Based Approach: The clients may be of a higher or lower risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. We should apply each of the clients due diligence measures on a risk sensitive basis. We should adopt an enhanced customer due diligence process for higher risk categories of customers. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of customers. In line with the risk-based approach, we should obtain type and amount of identification information and documents necessarily dependent on the risk category of a particular customer.

6. Clients of special category (CSC): CSC clients include the following:

1. Non-resident clients (NRI); (Majority of our retail clients are of NRI category who have their trading account also with us. All transactions are reported to their

custodians as well as their Banks (Indian Banks) and who in turn report the transactions to RBI)

2. High Net worth clients (HNI) (HNI “means who has a NW in excess of Rs.3 crores, Annual income of Rs. 25 lacs and done Trade value of Rs. 25 lacs and more”)

3. Trust, Charities, NGOs and organizations receiving donations.

4. Companies having close family shareholdings or beneficial ownership.

5. Politically exposed persons (PEP) of foreign origin

6. 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);

7. Companies offering foreign exchange offerings;

8. 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;

9. Non-face to face clients;

10. Clients with dubious reputation as per public information available etc.;

The above mentioned list is only illustrative and we should exercise independent judgment to ascertain whether new clients should be classified as CSC or not.

FOR HIGH NET WORTH / RISK CLIENT,

A. We Have A System Of Verifying Executed Trades At Our Back Office Through The Trade Files Sent From The Trading Terminals At Regular Intervals . The Dealers Also Monitor The Client Trading Pattern

B. Once Trades Are Identified We Cross Check The Same With The Dealers And Also Speak With He Clients For Honoring The Commitments With Regards To Delivery Of Shares Or / And Payments Required To Made. In case Of Demat Account Is With Us Then We Normally Do An Early Pay n To The Stock Exchanges And If Any Funds Are Required Then Coordinate For The Same.

C. The Dealers Have Been Briefed About All The Hni Clients With Regards To Their Trading Positions And Incase Of Any Abnormal Trades The Same Should Be Brought To The Notice Of The Manger In charge Of The Dealing Room And Also Verify The Holding Statements From Demat Section.

7. Client identification procedure (CIP) and Client Due Diligence (CDD)

(i) Identity generally means a set of attributes which together uniquely identify a natural or legal person. An individual's identity comprises his/her name recent photograph, signature, date of birth and the residential address at which he/she can be located. In case of a non-individual, identity comprises of the incorporation or constitution documents of the entity, the persons controlling the entity and Beneficial Owners thereof as prescribed by SEBI from time to time.

(ii) BLSBPL shall then carry out the requisite KYC procedures at different stages- (a) while establishing the intermediary–Client relationship, (b) while carrying out transactions for the Client or (c) when BLSBPL has reservations or suspicions regarding the veracity or the adequacy of previously obtained Client identification data.

(iii) The CDD measures to be undertaken by BLSBPL comprise the following:

Obtaining sufficient information in order to identify the Beneficial Owners of a securities account as per SEBI requirements. 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 should be identified using Client identification and verification procedures.

Verifying the Client' s identity using reliable, independent source documents, data or information;

Identifying 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 as prescribed by SEBI; corroborating the information provided in relation to (c); and

Conducting ongoing due diligence and scrutiny, i.e. performing ongoing scrutiny of the transactions and the Client's account throughout the course of the business relationship to ensure that the transactions being conducted are consistent with the BLSBPL's knowledge of the Client, its business and risk profile, taking into account, where necessary, the Client's source of funds.

The level, standards and frequency of scrutiny of transactions conducted by high-risk Clients shall be higher than low-risk Clients and employees must be cautious and diligent in relation to transactions undertaken by high-risk Clients.

The Client Identification Procedure as set out above shall be followed for each Client, irrespective of the amount of investment and shall not be waived for any Client or category thereof.

(iv) Other safeguards to be taken after a client has been accepted

The following are other general guidelines that employees must bear in mind:

No account shall be opened in a fictitious / benami name or on an anonymous basis.

An account shall not be opened where BLSBPL is unable to apply appropriate CDD measures and KYC policies. This may be applicable in cases where it is not possible to ascertain the identity of the Client, information provided to BLSBPL is suspected to be non genuine, perceived non co-operation of the Client in providing full and complete information.

In cases of the kind specified in (ii) above, BLSBPL shall take the following steps:-

- (a) refrain from undertaking or continuing business with such person;
- (b) file an STR with the FIU;

(c) evaluate whether there is suspicious trading in determining whether to freeze or close the account, if any of such a person.

(d) Clearly intimate the Client of the circumstances under which the Client is permitted to act on behalf of another person / entity. In such cases, BLSBPL may impose the restrictions on the following matters and intimate the same to the concerned Client:-

(e) Manner in which the account should be operated,

(f) transaction limits for the operation, additional authority required for transactions exceeding a specified quantity / value and other appropriate details;

(g) rights and responsibilities of both the persons (i.e. the agent- Client registered with BLSBPL, as well as the person on whose behalf the registered Client is acting should be clearly laid down);

(h) additional verification of a person' s authority to act on behalf the Client

Necessary checks and balances 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 Client Identification Procedure as set out in this Policy and the Policy shall be complied with irrespective of the amount of investment made by Clients and no exemption shall be made in case of any Client.

SEBI has prescribed the minimum requirements relating to KYC for certain class of the registered intermediaries from time to time. Taking into account the basic principles enshrined in the KYC norms, internal guidelines should be followed in dealing with clients and legal requirements as per the established practices. Also maintain continuous familiarity and follow-up where it notices inconsistencies in the information provided by the client. The principles enshrined in the PML Act, 2002 as well as the SEBI Act, 1992 should be followed, so that Company is aware of the clients on whose behalf it is dealing. For the purpose of the record keeping provision, we should ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PLM act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-

laws and Circulars. Records to be maintained should be sufficient to permit reconstruction of individual transactions (including the amounts and type of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior. Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing financial profile of the suspect's account. To enable this reconstruction, Organization should retain the following information for the accounts of their customers in order to maintain a satisfactory audit trail.

(V) In Person Verification (IPV)

(i) Once the background screening is complete or simultaneously therewith, the team shall conduct an IPV of the prospective Client. IPV of the Client by an BLSBPL employee is mandatory and shall not at any time be outsourced.

(ii) The employee visiting the Client for IPV must verify the originals of the photocopy documents submitted by the Client as part of KYC documentation.

(iii) IPV must be conducted at the time of registering the Client under the KYC norms. BLSBPL must be able to satisfactorily identify the Client and must be able to provide Client details to the authorities as and when required.

(iv) In case of DP Clients, BLSBPL employee shall conduct an IPV of the prospective Client. IPV of the Client by an BLSBPL employee is mandatory and shall not at any time be outsourced.

(v) IPV done for opening Beneficial Owner account by the DP arm of BLSBPL shall hold good for opening trading account for the same Client by the stock broking arm of BLSBPL and vice versa.

(vi) In the case of its DP activities, BLSBPL must also carry out IPV of Beneficial Owners at the time of opening the DP Account.

(vii) If the Client acceptance process rejects a Client or the Client does not respond to requests for additional information/documents, all documents collected from the

Client may be refunded and a clause to this effect be incorporated in the KYC Form.

8. Record Keeping:

- A. The beneficial owner of the account;
- B. The volume of the funds flowing through the account; and
- C. For selected transactions.
- D. The origin of the funds;
- F. The form in which the funds were offered or withdrawn, e.g. cash, cheques, etc;
- G. The identity of the person undertaking the transaction;
- H. The destination of the funds;
- I. The form of instruction and authority.

Organization should ensure that all client and transaction records and information are made available on a timely basis to the competent investigating authorities.

Retention of Records:

The following document retention terms should be observed:

1. All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period of ten years (10) from the date of cessation of the transaction.
2. Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the ten years from the date of cessation of the transaction.
3. Records shall be maintained in hard and soft copies. The following document retention terms should be observed:

4. All necessary records on transactions, both domestic and international, should be maintained at least for the minimum period of ten years (10) from the date of cessation of the transaction.

However, it should be ensured that there is continuity in dealing with the client as normal until told other wise and the client should not be told of the report /suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions

5. Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the ten years from the date of cessation of the transaction.

6. Records shall be maintained in hard and soft copies.

9. Suspicious transactions Monitoring and Reporting :

BLSBPL, on a on-going basis, should monitor the transactions executed by the client in order to ascertain whether the same is „suspicious“ which should be reported to FIU, India. Followings are the Surveillance/ Alerts based on the client' s transactions on NSE/BSE/DP and circumstances, which may be in the nature of suspicious transactions.

Suspicious Transactions are those which :

a) gives rise to reasonable grounds of suspicion that it may involve proceeds of crime

b) appears to be made in circumstances of unusual or unjustified complexity

c) appears to have no economic rationale or bonafide purpose

CRITERIA FOR ASCERTAINING SUSPICIOUS TRANSACTIONS

Whether a particular transaction is suspicious or not will depend upon the Client background, details of the transactions, / Identity & Receipt / Payment pattern and other facts and circumstances.

- Clients whose identity verification is difficult which includes non-cooperation of the client also.
- Clients belonging to (or) introduced by persons/entities in high risk countries
- Increase in clients business without justification and Turnover not commensurate with financials - Unusual large cash deposits
- Overseas receipts/payments of funds with or without instructions to pay in cash transaction - transfer of proceeds to unrelated parties
- Negotiated trades /Matched trades.
- Relation of the client with the company / directors / promoters
- Unusually large transactions like, clients having traded in scrip/shares of a company over a threshold Quantity /value in a single day and volume in that scrip of that client is above a threshold percentage of the total volume in that scrip of the Exchange.
- Clients making huge and regular losses and are still placing trades/orders and further identifying the sources of funds in such cases.
- Large volume in proprietary account of Sub-Brokers/Affiliates/Dealer
- 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;
- Unusual transactions undertaken by “Client of special category (CSCs)”, offshore banks/financial services, businesses reported to be in the nature of export import of small items

Alerts generated by NSDL based on transactions in Depository Accounts

- Debit and Credit transactions due to Off-market or Inter-depository transfers, above a threshold quantity, in an ISIN, in a single transaction or series of transactions executed during the fortnight.
- Details of debit and credit transactions due to demat, remat and pledge above a threshold quantity / value , in an ISIN, in a single transaction or series of transactions executed during the fortnight.
- Details of debit and credit transactions above a threshold quantity/value whichever is smaller, in an ISIN, which exceed a threshold multiple of the

average size of the transaction calculated for the previous months" transactions.
- Details of Off-market transactions (within NSDL or Inter-depository) where there are more than a threshold number of transactions in an account, for the past fortnight.

-Any debit transaction in a dormant account for exceeding a threshold quantity/value whichever is smaller, will be reported as an alert. An account having no „Debit“ Transaction“ in the last „n“ months will be considered as „Dormant“ account for this purpose.

Further the Compliance Department should randomly examine select transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.

Verification of Clients with Dubious Reputation

For verifying the dubious/suspicious reputation, of people , we regularly receive STR Files from NSDL and appropriate actions are taken against each STR, if any. So adequate care is taken by NSDL also for the DP entries affected on behalf of clients by us.

We are also regularly logging on to www.watchoutinvestors.com / NSE/BSE, CIBIL and anyother possible sources to get information on any dubious or debarred or suspicious people.

Any suspicion transaction needs to be notified immediately to the “Designated Principal Officer”. The notification may be done in the form of a detailed report with specific reference to the client's transactions and the nature / reason of suspicion. may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.

In accordance with “Designated Principal Officer” for Compliance with the provisions of “Prevention of Money Laundering Act, 2002 (PMLA):”

11. Employees’ Hiring/Employee’s Training/ Investor Education:

1 Hiring of Employees: We will subject employee accounts to the same AML procedures as customer accounts, under the supervision of the Principal Officer. We will also review the AML performance of supervisors,

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

2 Employees' Training: We have an ongoing employee training program conducted by our Principal Officer and Senior Management, Participation of all the Key Employees in the Seminars conducted by various Regulatory bodies from time to time, so that the members of the staff are adequately trained in AML and CFT procedures.

All the Circulars issued by various Regulatory bodies including that of PMLA, are circulated to all the staff Members and the same are also being discussed in length, in the Training Program". Training program shall have special emphasis on frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

Our training will include, at a minimum: how to identify red flags and signs of money laundering that arise during the course of the employees' duties; what to do once the risk is identified; what employees' roles are in the firm's compliance efforts and how to perform them; the firm's record retention policy; and the disciplinary consequences (including civil and criminal penalties) for non-compliance with the PMLA Act.

3 Investors Education: As the implementation of AML / CFT measures being sensitive subject and requires us to demand and collect certain information from investors which may be of personal in nature or has hitherto never been called for, which information include documents evidencing source of funds / income tax returns / bank records etc. and can sometimes lead to raising of questions by the client with regard to the motive and purpose of collecting such information.

There is, therefore, a need for us to sensitize the clients about these requirements, as the ones emanating from AML and CFT framework. We shall circulate the PMLA Circulars and other specific literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT program. The same shall also be emphasized on, in the Investor Awareness Programmes conducted by us at frequent intervals of time. The importance of the same is also made known to them at the time of opening the Account.

4. Monitoring Employee Conduct and Accounts: as part of their annual performance review. The Principal Officer's accounts will be reviewed by the Board of Directors.

5. Confidential Reporting of AML Non-Compliance: Employees will report any violations of the company's AML compliance program to the Principal Officer, unless the violations implicate the Compliance Officer, in which case the employee shall report to the Chairman of the Board. Such reports will be confidential, and the employee will suffer no retaliation for making them.

The testing of our AML program will be performed by the senior Management of the company. Evaluation and Reporting: After we have completed the testing, the Internal Auditors will report their findings to The Board of Directors. Each of the resulting recommendations will be address by us.

6. Program to Test AML Program:

Board of Directors Approval:

We have approved this AML program as reasonably designed to achieve and monitor our firm's ongoing compliance with the requirements of the PMLA and the implementing regulations under it. All STRs will be reported quarterly to the Board of Directors, with a clear reminder of the need to maintain the confidentiality of the STRs.

Designated Principal Officer:

In the Case of any further Information/clarification is required in this regards, the "Principal Officer" may be contacted.

Mr. Dharmendra Mishra

6 B Rajabhadur Compound

32 Ambalal Doshi Marg, Fort Mumbai -400001

Ph : 022-22671585/86

You may also contact Designated Director

Mr Naresh Kumar Maru . Ph : 9821040349