

# **Drishti Shares & Investments Pvt. Ltd.**

## **COMPLIANCE OF PREVENTION AND MONEY LAUNDERING ACT (PMLA) Review Date:- 05<sup>th</sup> February 2025**

This modified policy pursuant to 'Prevention of money Laundering Act', 2002 (PMLA) to effectively 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 has been duly placed and approved in the meeting of Board of Directors of the Company dated 08.10.2021 in accordance with the SEBI Circular no CIR/MIRSD/1/2014 dated 12.03.2014 and circular no. SEBI/HO/MIRSD/DOSR1/CIR/P/2018/93 dated 06.06.2018 regarding amendments in Maintenance of Records.

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.

Accordingly the Company has laid down the following policy Guidelines:

**Gautam Dutta Munsi is appointed as the Designated Director for overall supervision PMLA Compliance.**

**Narender Kr Khurana is appointed as the Principal Officer. He will be responsible for implementation of internal Controls & procedure for identifying and reporting any suspicious transaction or activity to the concerned authorities.**

### **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 Depository Participants, 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:

1. All cash transactions of the value of more than Rs.10 Lakhs or its equivalent in foreign currency.
2. 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.
3. All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non-monetary account such as Demat account, security account maintained by the registered intermediary.

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.

4. 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.

This policy provides to have a system in place to identify, monitor and reporting the suspected money laundering or terrorist financing transactions to law enforcing authorities. This policy is in conformity with SEBI Guidelines, CDSL and Exchanges Requirements.

Obligations of intermediaries under Prevention of Money Laundering Act, 2002 (PLMA)

- Appoint a Principal Officer who would be responsible for ensuring of provisions of PMLA
- Name, designation, address and e-mail address of such Principal officer be intimated to Office of Director – FIU, Delhi
- Adopt written procedures to implement the anti-money laundering provisions
- Communicating the policies relating to PMLA/CFT to management/staff handling accounts information, securities transactions and customer records (at branches/ department/ subsidiaries)
- The Policy to contain risk based approach, classification of clients as Clients of Special category (CSC), verification of names of customers in updated list of individuals and entities subject to various sanction measures of UN Security Council Committee and complying with Government order UAPA
- Co-operation with law enforcement authorities and timely disclosure of information

#### **The Policy and Procedure aims to Combat Money Laundering covers:**

- a) Customer acceptance policy and customer due diligence measures including requirements for proper identification.
- b) Monitoring of transaction, its evaluation for the purpose.
- c) Maintenance of records.
- d) Compliance with statutory and regulatory requirements
- e) Co-operation with law enforcing agencies, including the timely disclosure of information.
- f) Proper training of the staff member in efficient monitoring the procedure.
- g) Role of internal auditors to ensure compliance of policies, procedures and control to prevent money laundering.
- h) Communication of group policies relating to prevention of money laundering and terrorist financing to all management and relevant staff that handle account information, securities Transaction, money and customer records etc. whether in branches, departments or subsidiaries.

#### **Appointment of Principal Officer: Narender Kr Khurana**

To prevent and control Money Laundering, we have appointed “Principal Officer” in terms of Money Laundering Act, 2002 and the same were intimated to FIU-DIRECTOR, Chanakyapuri, Delhi.

#### **RIGHTS AND POWERS OF PRINCIPAL OFFICER**

1. The principal officer / other appropriate officials have timely access to customer identification data and other CDD information.
2. The principal officer has access and is able to report to Senior Management his/her next reporting level or the Board of Directors.

#### **RESPONSIBILITIES:**

The Principal Officer will ensure that:

A] The Board approved AML Program is implemented effectively.

- B] CDSL generated data based on set parameters is downloaded timely to enable us to analyze the data and report transactions of suspicious nature to FIU-IND directly.
- C] CDSL responds promptly to any request for information, including KYC related information maintained by us, made by the regulators, FIU-IND and other statutory authorities.
- D] CDSL Staff are trained to address issues regarding the application of the PMLA.
- E] The Staff selection and training process complies with the PMLA Policy.
- F] Any other responsibilities assigned by MD & CEO or any other Official authorized by MD & CEO from time to time.
- G] We are regularly updated regarding any changes / additions / modifications in PMLA provisions.

**Appointment of Designated Director: Mr. Gautam Dutta Munsii**

To prevent and control Money Laundering, we have appointed “Designated Director” in terms of Money Laundering Act, 2002 and the same were intimated to FIU-DIRECTOR, Chanakyapuri, Delhi.

Our Designated director is responsible to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules.

**CONTENTS OF PMLA/CFT GUIDELINES**

1. Communicating the policies relating to PMLA/CFT to management/staff handling accounts information, securities transactions and customer records (at branches/department/ subsidiaries)
2. The above to contain ; risk based approach, classification of clients as Clients of Special category (CSC), verification of names of customers in updated list of individuals and entities subject to various sanction measures of UN Security Council Committee and complying with Government order UAPA.
3. Co-operation with law enforcement authorities and timely disclosure of information.

**Risk-Based Approach to KYC**

Client acceptance is a critical activity in AML compliance. Every new Client accepted by an institution provides the individual with an entry point to local and international financial systems. Client acceptance, thus, becomes the first step in controlling money laundering and terrorist financing.

Regulatory guidelines stipulate that a sound KYC program should determine the true identity and existence of the customer and the risk associated with the customer. It is imperative that institutions capture information about their customers’ background, sources of funds, business, domicile and financial products used by them and how these are delivered to them in order to properly understand their risk profile.

Encouragingly, 88 per cent of respondents reported that they are adopting a risk based approach to account opening, and hence KYC, with another 8 per cent actively considering moving towards it.

With the multitude of requirements by different regulators around the globe, specifically when entering into correspondent financial relationships, Indian financial institutions may have adopted a risk-based approach earlier than expected and before regulations mandated it. For local business of multinational financial institutions this would not be the case as

they often adopt global policies and procedures, hence, they follow global best practices and standards.

As customer risk rating and KYC drives enhanced due diligence and ongoing monitoring it is critical that organizations conduct a comprehensive assessment to understand the risks associated with their business and customers. This in turn will provide a basis upon which associated policies and procedures can be developed.

#### **Risk Assessment**

- i. We shall carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions (these can be accessed at [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml) and <http://www.un.org/sc/committees/1988/list.shtml>).
- ii. 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 assessment shall be documented, updated regularly and made available to competent authorities and self-regulating bodies, as and when required.

**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.**

**Category – A: Low Risk**

**Category – B: Medium Risk**

**Category – C: High Risk, should be classified as**

**Category “A”** clients are those pose low or nil risk. They are good corporate / HNIs who have a respectable social and financial standing. These are the clients who make payment on time and take delivery of shares.

**Category “B”** clients are those who are intra-day clients or speculative clients. These are the clients who maintain running account with the Company.

**Category “C”** clients are those who have defaulted in the past, have suspicious background, do not have any financial status, etc.

#### **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.

**Clients of Special Category (CSC):**

CSC Clients include the following:

1. Non-resident clients (NRI);
2. High Net worth clients (HNI)
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.

**We have adopted the following specific parameters, which are related to the overall 'Client due Diligence Process':**

- a. Policy for acceptance of clients
- b. Procedure for identifying the clients
- c. Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR)
- d. Risk management
- e. Analyzing alerts
- f. Reporting of alerts to FIU-IND
- g. Reliance on third party for carrying out due diligence
- h. Other Parameters

**(A) POLICY FOR ACCEPTANCE OF CLIENTS**

We are taking following safeguards while accepting the clients:

1. We have instructed our account opening section not to open account in a fictitious / benami name or on an anonymous basis in any circumstances.
2. It is necessary to make proper checks before opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc.

3. We have not been allowing account opening, where it is unable to apply appropriate clients due diligence measures / KYC policies i.e. it is unable to verify the identity and /or obtain documents required as per the risk categorization due to noncooperation of the Client.
4. We have been regularly updating KYC profile of “clients of special category” defined under Money Laundering Act 2002, if any.
5. We are taking full detail of all the clients including occupational detail and financial detail.
6. We have been properly complying documentation requirement and other information in respect of different classes of clients depending on perceived risk and having regard with the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.
7. We have not been allowing any client to act on behalf of another person / entity.
8. We have been taking special caution in case of account opening of NRI, OBC, and FIIs etc.
9. Special instructions given to update on yearly Basis financial updates of all the active clients.

## **(B) PROCEDURE FOR IDENTIFYING THE CLIENTS**

As per code of conduct for Stock Broker in SEBI (Stock Brokers and Sub-brokers) Regulations, 1992, SEBI Master Circular No. CIR/ISD/AML/3/2010 dated December 31, 2010 and SEBI circular CIR/MIRSD/2/2013 dated January 24, 2013, all SEBI registered market intermediaries are required to conduct due diligence on identification of Beneficial Ownership.

Accordingly the Company has formulated this Policy relating to identification of Beneficial Ownership and categorizes the Beneficial ownership for this purpose as the natural person or persons 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.

### **i. For Individual Clients (Natural Persons):**

Where the Client is an Individual, to check the identity of such natural person; doing In-Person Verification as per PMLA; follow KRA regulations; conduct due diligence in accordance with norms and to do such other verifications necessary to verify the real identity of client.

### **ii. For clients other than individuals or trusts:**

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

- a. To check the identity of Juristic person, if it is an unlisted incorporated company under the provisions of Companies Act, 1956, on MCA website at [www.mca.go.in/MCA21](http://www.mca.go.in/MCA21) & to get shareholding detail of company.
- b. To check 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.
- c. In cases where there exists doubt under clause 4 (a) above as to whether the person with the controlling ownership interest of more than 10% 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
- d. Where no natural person is identified under clauses (b) or (c) above, the identity of the relevant natural person who holds the position of senior managing official.

**iii. For client which is a trust:**

Where the client is a trust, the company will 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 10 % 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.

**iv. For Foreign Investors**

The Company dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors for the purpose of identification of beneficial ownership of the client, it will follow the risk based due diligence approach as prescribed by SEBI Master Circular on AML No. CIR/ISD/AML/3/2010 dated December 31, 2010.

Also, they shall conduct ongoing client due diligence based on the risk profile and financial position of the clients as prescribed in Annexure A of SEBI Circular CIR/MIRSD/ 11 /2012 dated September 5, 2012.

- For onboarding of NRI / FII / FPI clients, in case there is any connection with any country which has been observed by the FATF to be non-compliant with its requirements, the account shall be rejected. which shall mean the following :
  - Person has provided a residential / correspondence address of such country
  - Directions for the operating of the account are received from the said country
  - The POA holder of the account is connected in the above manner with that country

**v. For Politically Exposed Person(PEP)**

**PEP** are individuals who are or have been entrusted with prominent public functions in a foreign country eg Head of States or of Govt., senior politicians ,senior govt./judicial/military officers ,senior executives of state owned corporations ,important political party officials etc. Sufficient Information should be gathered on any person /customer of this category intending to establish relationship and check all the information available on the person in public domain. Front end staff should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. Such accounts should be subjected to enhanced monitoring on an ongoing basis. The above norms should be applied to the accounts of the family members and



close relatives of PEPs. The accounts of PEP resident outside India shall be opened only after obtaining the approval. Further, in the event of an existing customer or the BO of an account subsequently becoming PEP, Approval would be required to continue the relationship and such accounts would be subject to Customer Due Diligence as applicable to the customer of PEP category. The additional Norms applicable to PEP as contained in PMLA Rules, 2005 of the Master Circular shall also be applied to the accounts of the family members or close relatives of PEP.

### **C) LIST OF DESIGNATED INDIVIDUALS /ENTITIES**

1. Maintenance of updated list of individuals / entities subject to various sanctions / measures available from the site <http://www.un.org/sc/committees/1267/consolist.shtml> and to regularly scan all existing accounts to ensure that no account is held by any of the entities or individuals included in the above list. Full Details of accounts bearing resemblance with any of the individuals/entities in the list shall be immediately be intimated to SEBI and FIU-IND.

### **D) PROCEDURE OF FREEZING FUNDS, FINANCIAL ASSETS OR ECONOMIC RESOURCES AND RELATED SERVICES**

Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A of the UAPA

2. For customers that are natural persons, it is required to obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph. For customers that are legal persons or entities, it is required to (i) verify the legal status of the legal person/ entity through proper and relevant documents (ii) verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person, (iii) understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. Customer identification requirements in respect of a few typical cases, especially, legal persons requiring an extra element of caution.
3. In the event of matching any particulars of designated individuals/entities, we will inform the full particular of the funds, financial assets or economic resources or related services held in the form of securities, within 24 hours to the joint secretary (IS.I) Ministry of Home Affairs, at a given fax / phone number and email id and will also send the same to the email id and address of SEBI.
4. In the event of matching the details beyond doubt, we will prevent the persons from conducting any further financial transactions under intimation to the above mentioned authorities and will file STR to FIU, IND, covering all transactions.
5. The 'Know your Client' (KYC) policy is clearly defined and adopted under the supervision of Principal Officer.

6. We have been identifying the client by using reliable sources including documents / information, in person verification, etc.
7. We have seen each original document prior to acceptance of a copy and same be stamped "Verified with the original". The information collected by us is enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by us in compliance with the Guidelines.
8. We have been noting failure by prospective client to provide satisfactory evidence of identity and same to be reported to the higher authority within the organization.

**(E) TRANSACTION MONITORING AND REPORTING ESPECIALLY SUSPICIOUS TRANSACTIONS REPORTING**

We should carefully go through all the reporting requirements and formats enclosed with this circular. These requirements and formats are divided into two parts- Manual Formats and Electronic Formats. Details of these formats are given in the documents ([Cash Transaction Report- version 1.0](#) and [Suspicious Transactions Report version 1.0](#)) which are also enclosed with this circular.

Ongoing monitoring is an essential element of effective KYC procedures. We can effectively control and reduce the risk only if the companies have an understanding of the normal and reasonable activity of the client so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. Special attention is required to pay to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. For the purpose of monitoring of transaction under PMLA following should be taken care of:

1. we will examine the background and the purpose of transactions which are complex or unusually large/ with patterns which appear to have no economic purpose/ which exceed the limits specified for the relevant class of client accounts, and record the findings in writing; make available such findings, records and related documents to auditors, SEBI, Stock Exchanges, FIUIND, other relevant authorities during audit, inspection or as and when required.
2. we will submit cash Transactions Report (CTR) wherever applicable, for each month by 15<sup>th</sup> of the succeeding month to FIU-IND.No NIL Reporting to be made.
3. We will submit Suspicious Transaction Report (STR) within 7 days of arriving at a conclusion that any transaction are of suspicious nature to FIU-IND
4. To preserve records involving CTR/STR for ten years as required under PMLA, 2002
5. We have been taking close surveillance, where transaction amounting to Rs. 10 Lacs or more.
6. We have not been allowing any cash transaction with client.
7. We regularly monitor the transactions for generation of alerts for identification of suspicious transactions.

The Principal Officer would act as a central reference point in facilitating onward reporting of suspicious transactions and for playing an active role in the identification and assessment of potentially suspicious transactions.

#### **(F) RISK MANAGEMENT**

The Board of Directors of the company ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation covering proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibilities are explicitly allocated within the company for ensuring that the Company's policies and procedures are implemented effectively. The company, in consultation with boards, has decided to devise procedures for creating Risk Profiles of the existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

As The internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures, the compliance function should provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. The company will appoint and conduct Concurrent/ Internal Audits on specific intervals that will specifically check and verify the application of KYC procedures at the branches and will comment on the lapses observed in this regard. The compliance in this regard may be put up before the Board on quarterly intervals.

The company will conduct an ongoing employee training programme so that all the staff are adequately trained in KYC procedures. Training requirements should have different focuses for frontline staff, compliance staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently

Implementation of KYC procedures requires the company to demand certain information from client which may be of personal in nature or which has hitherto never been called for. This can sometimes lead to a lot of questioning by the client as to the motive and purpose of collecting such information. There is, therefore, the company will educate, from time to time, the customer of the objectives of the KYC programme.

#### **(H)RECORD KEEPING:**

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 thereunder, PLM act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars. Subsequently issued notification regarding PML(Maintenance of Records)Fifth & Sixth Amendment Rules ,2017 regarding explanation of the term “certified copy “ and list of deemed OVDs (Officially Valid Document) for limited purpose of address and acceptable documents in case the OVDs presented by foreign national does not contain address details. Circular attached for reference. [Annexure 1. Annexure 2. Annexure 3.](#)

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.

- 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.

We must maintain proper record of transactions prescribed under Rule 3, notified under the Prevention of Money Laundering Act (PMLA), 2002 as mentioned below:

- (i) All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- (ii) All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- (iii) 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;
- (iv) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

We must maintain and preserve the following information in respect of transactions referred to in Rule 3 of PMLA Rules:

- I. The nature of the transactions;
- II. The amount of the transaction and the currency in which it denominated;
- III. The date on which the transaction was conducted; and
- IV. The parties to the transaction.

#### **(D) MAINTENANCE / RETENTION OF THE RECORDS:**

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 Eight Years (8) from the date of cessation of the transaction.
- 2. Records evidencing the identity of its clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for a period of Eight years after the business relationship between a client and intermediary has ended or the account has been closed, whichever is later.
- 3. Records shall be maintained in hard and soft copies.
- 4. All necessary records on transactions, both domestic and international, should be maintained and preserved for a period of Eight years from the date of transaction between the client and intermediary.

5. Records on customer identification (e.g., copies or records of official identification documents like passports, identity cards, driving licenses or similar documents) as well as account files and business correspondence for a period of Eight years after the business relationship between a client and company have ended or the account has been closed, whichever is later.

6. In situations where the records relate to on-going investigation or transactions, which have been the subject of a suspicious transaction reporting, they should be retained until it is confirmed that the case has been closed.

7. All necessary records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, shall be maintained and preserved for a period of Eight years from the date of the transaction between the client and the intermediary.

#### **(J) MONITORING OF TRANSACTIONS:**

1. Regular monitoring of transactions is required for ensuring effectiveness of the Anti-Money Laundering procedures.

2. Special attention required to all complex, unusually large transactions / patterns which appear to have no economic purpose. These records are required to be maintained and preserved for a period of Eight years from the date of transaction between client and intermediary.

3. Internal threshold limits to specify for each class of client's accounts and pay special attention to the transaction, which exceeds these limits.

4. Should ensure that the records of transaction is preserved and maintained in terms of the PMLA 2002 and that transaction of suspicious nature or any other transaction notified under section 12 of the act is reported to the appropriate authority.

5. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.

Further the RMS/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.

#### **(K) SUSPICIOUS TRANSACTION MONITORING & REPORTING:**

Whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances. Followings are the circumstances, which may be in the nature of suspicious transactions:-

1. Clients whose identity verification seems difficult or clients appears to be not co-operating.

2. Asset management services for clients where the source of the funds is not clear or not in keeping with client's apparent standing / business activity. Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;

3. Substantial increases in business without apparent cause.

4. Unusually large cash deposits made by an individual or business;

5. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;

6. Transfer of investment proceeds to apparently unrelated third parties;

7. Unusual transactions by “Client of special category (CSCs)” and businesses undertaken by shall corporations, offshore banks / financial services, business reported to be in the nature of export import of small items.

#### **L) SUBMISSION OF SUSPICIOUS TRANSACTIONS REPORTS :**

Submission of such reports shall be made within the time limit prescribed as follows:-

- Suspicious transaction reports shall be submitted in writing or by fax or electronic mail within three working days from the date of occurrence of the transactions.
- Notifications issued by SEBI require STR to be reported within 7 working days of establishment of suspicion at the level of Principal Officer.

#### **(M) REPORTING OF ALERTS/STRS TO FIU-IND**

1. All the suspicious transaction Alerts generated will be reported to Director, FIU-IND at the below mentioned address, if required.

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

#### **(N) RELIANCE ON THIRD PARTY FOR CARRYING OUT DUE DILIGENCE**

We may rely on a 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.

#### **(O) OTHER PARAMETERS**

##### **➤ Retention of Records**

We have observed the following document retention:

- a. We are bound to maintain all necessary records, if any, on transactions, both domestic and international at least for the minimum period prescribed under the relevant Act (PMLA, 2002 as well SEBI Act, 1992) and other legislations, Regulations or exchange bye-laws or circulars.
- b. We are also bound to keep records, if any, 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 for the period of 8 years.

##### **➤ Training of staff/Employees**

The company has adequately trained staff in AML and CFT (Combating Financing of Terrorism) procedures.

The Company shall have an ongoing employee-training programmed so that the staff are adequately trained in Anti Money Laundering and Combating Financing of Terrorism procedure.

In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, the same will be retained until it is confirmed that the case has been closed

➤ **Employees Hiring**

The Company shall have adequate screening procedures in place to ensure high standard when hiring employees. It shall identify the key positions within the Company structure having regard to the risk of money laundering and terrorist financing. KYC norms / AML standards / CFT measures have been prescribed to ensure that criminals are not allowed to misuse Drishti infrastructure. It should therefore, be necessary that adequate screening mechanism is put in place by Drishti as an integral part of their recruitment / hiring process of personnel. The Human Resources department of Drishti confirms the previous employment details given by the employee with prior employer. Complete due diligence is done before hiring the employee with previous employer as well as references mentioned .

➤ **Investor' Education**

Implementation of KYC procedures requires Drishti to demand certain information from customer which may be of personal nature or which has hitherto never been called for. This sometimes leads to a lot of questioning by the customer as to the motive and purpose of collecting such information. The Relationship Managers of Drishti shall be trained to explain to the customers the regulatory requirements and benefits of adhering to the KYC guidelines and seek co-operation of the customer. Various links and information is displayed on website [www.drishtishares.com](http://www.drishtishares.com) for investor to seek various useful information to guide the investor.

➤ **Collection of Aadhar Number**

Ministry of Finance has amended the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 vide its notification dated June 01, 2017 with regard to collection of Aadhaar number from clients .

In this regards, the Company have taken note of the amendments to the Prevention of Money-laundering (Maintenance of Records) Rule, 2005 and has adopted necessary amendment to comply with the same.

➤ **FATCA Declaration**

The Company shall obtain declaration from all client whether individual or non-individual as per the prescribed format.

➤ **Registration of Non Profit Organisation in DARPAN Portal of NITI Aayog :**  
Register On Niti Aayog ,and maintain such registration records for period of 5 years after the relationship between client and Intermediary has ended or the account has been closed and will take care all the other provisions.

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**Review of PMLA/CFT Procedures**

The policy shall be reviewed from time to time as and when required by the Management and also implement the change after any change in the Anti Money Laundering Act 2002 or change in any other act, bye-laws, rules, regulations of SEBI, CBI or in any statutory and regulatory government department related to or affect to this.

It will be ensured that the policy is reviewed regularly to ensure its effectiveness .Person doing such a review shall be different from the one who has framed such policies and procedure.