

**POLICIES AND PROCEDURE FOR PREVENTION OF  
MONEY LAUNDERING**

**RATNAKAR SECURITIES PRIVATE LIMITED**

**(Issued as per the requirements of the PMLA Act 2002)**

For and Exclusive use of RSPL (Revised on 10.08.2020)

Previously Revised on 13.11.2019

Previously Revised on 29.06.2018

1. Firm Policy

It is the policy of the firm to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal 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.

2. Designation and Duties of Principal Officer & Designated Director

The firm has designated Shri Ajay Gandhi as the Principal Officer for its Anti-Money Laundering Program, with full responsibility for the firm's AML program. Shri Ajay Gandhi is B.Com from Gujarat University and is qualified by experience, knowledge and training. The duties of the Principal Officer will include monitoring the firm's compliance with AML obligations and overseeing communication and training for employees. The Principal Officer will also ensure that proper AML records are kept. When warranted, the Principal Officer will ensure filing of necessary reports with the Financial Intelligence Unit (FIU - IND)

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

The firm has appointed Mr. Ajay J. Shah as the Designated Director. The firm has provided the FIU with contact information for the Designated Director, including name, title, mailing address, e-mail address, telephone number and facsimile number. The firm will promptly notify FIU of any change to this information.

3. Client Due Diligence Process:

The Overall Client Due Diligence Process comprises of the following three specific parameters:

- A) Client acceptance policy
- B) Client Identification Process
- C) Monitoring of transactions and Reporting

3.(A) Client acceptance policy:

It is essential to make reasonable efforts to determine the true identity of the clients and the company shall put in place effective procedures to obtain requisite details for proper identification of new clients.

- > All KYC documentation and procedures prescribed by the Exchanges and SEBI shall be followed at the time of account opening.
- > To clearly establish the identity of the client, verification of the addresses and other details. To verify the genuineness of the PAN provided by the client by comparing with the original PAN and checking with Income-Tax website. To verify the copies with the original documents.
- > The In-person verification of the client has to be done by the employees of the company.
- > To verify whether the client at any point of time has been banned from trading in the stock market by SEBI and its name / PAN available under SEBI banned entity list or any other regulatory authority.
- > To verify whether the client has any criminal background and whether he has been at any point of time been associated with any civil or criminal proceedings anywhere.
- > To verify whether the client is a politically exposed person or is a relative of a politically exposed person.
- > To verify whether the client Name or PAN mention in FAFT grey list and FATF Public statement or UNSC List.
- > To verify whether the client belong to High risk jurisdictions countries like Democratic People's Republic of Korea (DPRK), Iran, The Bahamas; Botswana; Cambodia; Ghana;

Iceland; Mongolia; Pakistan; Panama; Syria; Trinidad and Tobago; Yemen; Zimbabwe, Ethiopia; Sri Lanka; Tunisia, etc.

--> To ensure that no account is opened in a fictitious/benami name and also where the concerned official is unable to apply appropriate client due diligence measures/KYC policies. Incomplete documentation and incomplete application should be rejected.

--> To obtain sufficient information in order to identify persons who beneficially own or control the trading account.

The company shall categorize its clients into low, medium and high risk as per its categorization process and thereafter collect documents and other information from the clients based on the perceived risk in order to achieve the PMLA objective.

### 3.(B) Customer Identification and Verification

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

Constitution of Client	Proof of Identity	Proof of Address	Others
Individual	<ul style="list-style-type: none"> <li>• PAN Card</li> </ul>	<ul style="list-style-type: none"> <li>• Aadhaar (UID),</li> <li>• Bank statement of last 6 months</li> <li>• Last year of ITR copy</li> <li>• Light bill</li> </ul>	<ul style="list-style-type: none"> <li>• N.A.</li> </ul>
Hindu Undivided Family (HUF)	<ul style="list-style-type: none"> <li>• PAN Card ( Karta &amp; HUF)</li> <li>• Bank statement</li> <li>• Aadhaar (Karta)</li> <li>• PAN / Aadhaar of any one of Member / coparcener</li> </ul>	<ul style="list-style-type: none"> <li>• Bank statement of last 6 months</li> <li>• Last year of ITR copy</li> <li>• Light bill</li> </ul>	<ul style="list-style-type: none"> <li>• N.A</li> </ul>
Company	<ul style="list-style-type: none"> <li>• PAN Card ( Company and all directors)</li> <li>• Aadhaar - all directors</li> <li>• Certificate of incorporation</li> <li>• Memorandum and Articles of Association</li> <li>• Resolution of Board of Directors</li> <li>• List of share holders</li> <li>• List of Authorised signatories</li> <li>• Last 2 years balance sheet</li> <li>• Audited Net worth certificate</li> </ul>	<ul style="list-style-type: none"> <li>• Bank statement of last 6 months</li> <li>• Last year of ITR copy</li> <li>• Light bill</li> <li>• Property tax bill</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Report submit every year</li> <li>• Proof of Identity of the Directors/Others authorized to trade on behalf of the Company</li> </ul>
Partnership Firm	<ul style="list-style-type: none"> <li>• PAN Card</li> <li>• Aadhaar</li> <li>• Registration certificate</li> <li>• Partnership deed</li> </ul>	<ul style="list-style-type: none"> <li>• Bank statement of last 6 months</li> <li>• Last year of ITR copy</li> <li>• Light bill</li> <li>• Property tax bill</li> </ul>	<ul style="list-style-type: none"> <li>• Proof of Identity of the Partners/Others authorized to trade on behalf of the firm</li> </ul>

Limited Liability Partnership (LLP)	<ul style="list-style-type: none"> <li>• PAN Card (LLP and partners)</li> <li>• Aadhaar - partners</li> <li>• Certificate of incorporation</li> <li>• LLP Agreement - notarized</li> <li>• Resolution by Authorised partner of LLP</li> <li>• List of All partners</li> <li>• List of Authorised signatories</li> <li>• Last 2 years balance sheet</li> <li>• Audited Net worth certificate</li> </ul>	<ul style="list-style-type: none"> <li>• Bank statement of last 6 months</li> <li>• Last year of ITR copy</li> <li>• Light bill</li> <li>• Property tax bill</li> </ul>	<ul style="list-style-type: none"> <li>• Proof of Identity of the Partners/Others authorized to trade on behalf of the LLP</li> </ul>
Trust	<ul style="list-style-type: none"> <li>• PAN Card</li> <li>• Aadhaar</li> <li>• Registration certificate</li> <li>• Trust deed - notarized</li> <li>• Trust resolution</li> <li>• List of trustee</li> <li>• List of Authorised signatories</li> <li>• Last 2 years balance sheet</li> <li>• Audited Net worth certificate</li> </ul>	<ul style="list-style-type: none"> <li>• Bank statement of last 6 months</li> <li>• Last year of ITR copy</li> <li>• Light bill</li> <li>• Property tax bill</li> </ul>	<ul style="list-style-type: none"> <li>• Proof of Identity of the Trustees/ others authorized to trade on behalf of the trust</li> </ul>
AOP/ BOI	<ul style="list-style-type: none"> <li>• PAN Card</li> <li>• Aadhaar</li> <li>• Resolution of the managing body</li> <li>• Documents to collectively establish the legal existence of such an AOP/ BOI</li> </ul>	<ul style="list-style-type: none"> <li>• Bank statement of last 6 months</li> <li>• Last year of ITR copy</li> <li>• Light bill</li> <li>• Property tax bill</li> </ul>	<ul style="list-style-type: none"> <li>• Proof of Identity of the Persons authorized to trade on behalf of the AOP/ BOI</li> </ul>

1. If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, our firm will not open the new account.
2. All PAN Cards received will be verified from the Income Tax/ NSDL website before the account is opened
3. The documents provided by the clients will be reviewed on a periodic basis, mostly yearly and will be updated as per the latest requirements and guidelines of the regulatory bodies

#### Risk Categorization

The firm shall categorize its clients into high, medium, and low risk as per its categorization process and thereafter collect documents and other information from the clients based on the perceived risk in order to achieve the PMLA objective.

Clients should broadly be classified in the following categories

<b>RISK</b>	<b>PARTICULARS</b>
High Risk	<p>Clients which are likely to pose a high risk to the firm, may be categorized as high risk.</p> <ul style="list-style-type: none"> <li>-Clients who have defaulted in the past,</li> <li>-Clients who have a suspicious background</li> <li>-<b>HNI</b>s whose identity and source of wealth are difficult to identify</li> <li>-Politically exposed persons , -Clients of Special Category, -Dormant Account</li> </ul>
Medium Risk	<p>Clients which are likely to pose a medium risk to the firm may be categorized as medium risk. They can be the following:</p> <ul style="list-style-type: none"> <li>-Where the client profile of the person opening the account is doubtful or dubious.</li> <li>-Where the trading and settlement pattern of the client is suspicious</li> <li>-Intraday clients or speculative client.</li> <li>-NRI clients</li> <li>-They are corporate/ LLP/ HNIs who have a respectable social and financial standing.</li> </ul>
Low Risk	<p>Clients who pose low or nil risk.</p> <ul style="list-style-type: none"> <li>-Individual Clients /Clients other than mention in above two categories / Professionals who have a respectable social and financial standing.</li> <li>-Clients who fulfill obligations on time.</li> </ul>

Initial Risk categorization of all the clients would be done by the firm, at the time of opening of the Client accounts, depending on the financials details/ net-worth declarations / Income Tax Returns of clients for last 2 years and KYC declaration so of the clients given by the clients at time of account opening and regular updates received from the clients and shall be reviewed on an ongoing basis.

#### Risk Assessment

Risk assessment has been done to identify, assess, and take effective measures to mitigate money laundering and terrorist financing risk with respect to clients, countries or geographical areas, nature and volume of transactions, payment method used by clients, etc. It also include any country specific information circulated by Government of India, SEBI etc. from time to time and updated list of individuals and entities who are subjected to sanction measures as required under United Nation's Security Council Resolutions. This assessment will be properly documented, regularly updated and made available to competent authorities and self-regulating bodies as and when required.

#### Client of special category

Due care shall be taken while accepting clients of Special category.

Clients of Special Category include but shall not be limited to the following

- ❖ Non Residents Clients
- ❖ High Net Worth Clients
- ❖ Trust, Charities, Non Government Organizations (NGOs) and Organizations receiving donations
- ❖ Companies having close family shareholdings or beneficial ownership
- ❖ Politically exposed persons (PEP) of foreign origin
- ❖ Companies offering foreign exchange offerings
- ❖ Clients in high risk countries
- ❖ Non face to face clients
- ❖ Clients with dubious reputation as per public information available

## TREATMENT OF ACCOUNTS OF CLIENTS OF SPECIAL CATEGORY

1. NRI: - While opening NRI account utmost care should be exercised. Collect the following documents
  - ❖ PAN Card Copy
  - ❖ Pass Port Copy with date of arrival in case personal visit
  - ❖ Indian & foreign Address Proof
  - ❖ Cancelled cheque copy of NRE A/c, along with PIS permission issued from RBI & Bank statement copy
  - ❖ Client master copy for demat account
  - ❖ FATCA declaration
2. High Net worth Clients:-High Net worth clients could be classified as such if at the account opening stage or during the course of the relationship, it is realized that the client's investments or the appropriate for investment is high.
3. Trust, Charity and NGOs: -Public as well as private, registered as well as unregistered trust will have to be classified in the special category.
4. Politically Exposed Person: - In case of PEPs, the account should be opened only after consent of the senior management and principal officer & all the required documents are collected and client should be marked as PEP in records. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, registered intermediaries shall obtain senior management approval to continue the business relationship.

### 3(C). Monitoring Accounts for Suspicious Activity

The firm will monitor through the automated means of Back Office Software for unusual size, volume, pattern or type of transactions. For non automated monitoring, the following kinds of activities are to be mentioned as Red Flags and reported to the Principal Officer.

- The customer exhibits unusual concern about the firm's compliance with government reporting requirements and the firm's AML policies (particularly concerning his or her identity, type of business and assets), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or business documents.
- The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business or investment strategy.
- The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.
- The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.

- The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash, or asks for exemptions from the firm's policies relating to the deposit of cash.
- The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the Rs.10,00,000 government reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.
- For no apparent reason, the customer insists for multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers.
- The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose.
- The customer requests that a transaction be processed to avoid the firm's normal documentation requirements.
- The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as Z group and T group stocks, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)
- The customer's account shows an unexplained high level of account activity
- The customer maintains multiple accounts, or maintains accounts in the names of family members or corporate entities, for no apparent purpose.
- The customer's account has inflows of funds or other assets well beyond the known income or resources of the customer.

When a member of the firm detects any red flag he or she will escalate the same to the Principal Officer for further investigation

Broad categories of reason for suspicion and examples of suspicious transactions for an intermediary are indicated as under:

#### Identity of Client

- False identification documents
- Identification documents which could not be verified within reasonable time
- Non-face to face client
- Doubt over the real beneficiary of the account
- Accounts opened with names very close to other established business entities

#### Suspicious Background

- Suspicious background or links with known criminals

#### Multiple Accounts

- Large number of accounts having a common account holder, introducer or authorized signatory with no rationale
- Unexplained transfers between multiple accounts with no rationale

#### Activity in Accounts

- Unusual activity compared to past transactions
- Use of different accounts by client alternatively
- Sudden activity in dormant accounts
- Activity inconsistent with what would be expected from declared business
- Account used for circular trading

#### Nature of Transactions

- Unusual or unjustified complexity
- No economic rationale or bonafide purpose
- Source of funds are doubtful
- Appears to be case of insider trading
- Investment proceeds transferred to a third party
- Transactions reflect likely market manipulations
- Suspicious off market transactions

#### Value of Transactions

- Value just under the reporting threshold amount in an apparent attempt to avoid reporting
- Large sums being transferred from overseas for making payments
- Inconsistent with the clients apparent financial standing
- Inconsistency in the payment pattern by client
- Block deal which is not at market price or prices appear to be artificially inflated/deflated

#### 4. Maintenance of records

The Principal Officer will be responsible for the maintenance for following records

- all cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- all series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month;
- 1) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- all suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith -
  - gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
  - appears to be made in circumstances of unusual or unjustified complexity; or
  - appears to have no economic rationale or bonafide purpose; or
  - gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

The records shall contain the following information:

- the nature of the transactions;
- the amount of the transaction and the currency in which it was denominated;
- the date on which the transaction was conducted; and
- the parties to the transaction."

The records will be updated on daily basis, and in any case not later than 5 working days

In terms of rules made under the PMLA Act, RSBL shall maintain and preserve a record of:

(a) All suspicious transactions whether or not made in cash **for a period of Five years;**

(b) Identity and current address or addresses including permanent address or addresses of the Client, the nature of business of the Client and his financial status, account files, business correspondence and all other details as per PMLA guide line **for a period of Five years after the business relationship between client and intermediary has ended or the account has been closed whichever is later .**

(c) Suspicious records along with the records of the identity of clients shall be maintained and preserved **for a period of Five years** or as may be in force from time to time from the date of cessation of the transaction between the Client and intermediaries



5. Reporting to FIU IND

For Cash Transaction Reporting

- All dealing in Cash that requiring reporting to the FIU IND will be done in the CTR format and in the matter and at intervals as prescribed by the FIU IND

For Suspicious Transactions Reporting:-

We will make a note of Suspicion Transaction that have not been explained to the satisfaction of the Principal Officer and thereafter report the same to the FIU IND and at intervals as prescribed by the FIU IND.

This will typically be in cases where we know, suspect, or have reason to suspect:

- the transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any the transaction reporting requirement,
- the transaction is designed, whether through structuring or otherwise, to evade the any requirements of PMLA Act and Rules framed thereof
- the transaction has no business or apparent lawful purpose or is not the sort in which the customer would normally be expected to engage, and we know, after examining the background, possible purpose of the transaction and other facts, of no reasonable explanation for the transaction, or
- the transaction involves the use of the firm to facilitate criminal activity.

We will not base our decision on whether to file a STR solely on whether the transaction falls above a set threshold. We will file a STR and notify law enforcement of all transactions that raise an identifiable suspicion of criminal, terrorist, or corrupt activities.

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

We will not notify any person involved in the transaction that the transaction has been reported, except as permitted by the PMLA Act and Rules thereof.

**DUE DATE FOR REPORTING:**

Cash Transaction Report: **15th Day** of the Succeeding month

Suspicious Transaction Report: **7th Day** of the succeeding month

6. AML Record Keeping

a. STR Maintenance and Confidentiality

We will hold STRs and any supporting documentation confidential. We will not inform anyone outside of a law enforcement or regulatory agency or securities regulator about a STR. We will refuse any requests for STR information and immediately tell FIU IND of any such request we receive. We will segregate STR filings and copies of supporting documentation from other firm books and records to avoid disclosing STR filings. Our Principal Officer will handle all requests or other requests for STRs.

b. Responsibility for AML Records and SAR Filing

Principal Officer will be responsible to ensure that AML records are maintained properly and that STRs are filed as required

c. Records Required

As part of our AML program, our firm will create and maintain STRs and CTRs and relevant documentation on customer identity and verification. We will maintain STRs and their

accompanying documentation for at least **Five years** or as may be in force from time to time from the date of cessation of the transaction between the Client and intermediaries

#### 7. Training Programs

We will develop ongoing employee training under the leadership of the Principal Officer. Our training will occur on at least an annual basis. It will be based on our firm's size, its customer base, and its resources.

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.

We will develop training in our firm, or contract for it. Delivery of the training may include educational pamphlets, videos, intranet systems, in-person lectures, and explanatory memos.

We will review our operations to see if certain employees, such as those in compliance, margin, and corporate security, require specialized additional training. Our written procedures will be updated to reflect any such changes.

#### 8. Program to Test AML Program

##### a. Staffing

ensure that the content of these Guidelines are understood by all staff members.

develop staff members' awareness and vigilance to guard against money laundering and terrorist financing.

Communication of group policies relating to prevention of money laundering and terrorist financing to all management and relevant staff that handle account information, securities transactions, money and customer records etc. whether in branches, departments, or subsidiaries.

##### b. Evaluation and Reporting

Role of internal audit or compliance function to ensure compliance with policies, procedures, and controls relating to prevention of money laundering and terrorist financing, including the testing of the system for detecting suspected money laundering transactions, evaluating and checking the adequacy of exception reports generated on large and/or irregular transactions, the quality of reporting of suspicious transactions and the level of awareness of front line staff of their responsibilities in this regard.

The registered intermediaries must provide proper anti money laundering and anti-terrorist financing training to their staff members.

#### 9. Monitoring Employee Conduct and Accounts

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, as part of their annual performance review. The Principal Officer's accounts will be reviewed by the Board of Directors

#### 10. Investors Education:

Implementation of AML/CFT measures require member to demand certain information from investors which may be of personal nature or has hitherto never been called for.

Such information can include documents evidencing source of funds/income tax returns/bank records etc. This 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 intermediaries to sensitize their clients about these requirements as the ones emanating from AML and CFT framework. Intermediaries shall prepare specific

literature/ pamphlets etc. so as to educate the client of the objectives of the AML/CFT programme.

11. Confidential Reporting of AML Non-Compliance

Employees will report any violations of the firm'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, Shri Bharat Bagri. Such reports will be confidential, and the employee will suffer no retaliation for making them.

12. Policy Review and Updation

The policy will be reviewed and updated on a yearly basis by the management so as to update any policy level changes of the company and also, revised periodically to make it in line with the latest Rules, Regulations, Circulars & Guidelines of the SEBI, Exchanges and Depositories.

13. 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.

For Ratnakar Securities Private Limited

sd/-  
(Ajay Jayantilal shah)  
Director

sd/-  
(Mayuri Shah)  
Director