

PINAKINI SHARE & STOCK BROKERS LTD

PMLA POLICY & PROCEDURES

Applicability

Pinakini Share & Stock Brokers Limited (PSSBBL) is a SEBI Registered Intermediary (Broking/ DP)

In compliance with

- The PMLA Act 2002 which came into force in 2005 as modified and rules thereof
- SEBI Circular and Directives including SEBI Master Circulars ref. SEBI/ HO/ MIRSD/ DOP/ CIR/ P/ 2019/113 dated 15.10.2019, SEBI/HO/MIRSD-SEC-5/P/CIR/2023/022, Dt Feb. 03.2023

PSSBL Policy

It is our policy 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.

Written Anti Money Laundering Procedures

1. PSSBL has adopted these written procedures to implement the anti- money laundering provisions as envisaged under the PMLA. Such procedures shall include inter

alia, the following four specific parameters which are related to the overall 'Client Due Diligence Process':

- i. Policy for acceptance of clients
- ii. Procedure for identifying the clients
- iii. Risk Management
- iv. Transaction monitoring and reporting especially Suspicious Transactions Reporting (STR).

Client Due Diligence (CDD)

2. The CDD measures at PSSBL shall comprise the following:

- i. Obtaining sufficient information in order to identify persons who beneficially own or control the securities account. 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 shall be identified using client identification and verification procedures. 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
- ii. Verifying the client's identity using reliable, independent source documents, data or information.
- iii. 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.

a) 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, PSSBL shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

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

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

i. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;

ii. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or

iii. more than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.

bb) In cases where there exists doubt under clause (aa) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.

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

cc) Where no natural person is identified under clauses (aa) or (bb) above, the identity of the relevant natural person who holds the position of senior managing official.

b) For client which is a trust:

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

c) Exemption in case of listed companies:

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

d) Applicability for foreign investors

While dealing with foreign investors, PSSBL will be guided by the clarifications issued vide SEBI Master Circular SEBI/HO/AFD-2/CIR/P/2022/17 dated December 19, 2022 and amendments thereto, if any, for the purpose of identification of beneficial ownership of the client;

e) Monitoring of compliance

The compliance of the aforementioned provision on identification of beneficial ownership shall be monitored by the ED/Director of PSSBL

iv. Verifying the identity of the beneficial owner of the client and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (iii).

v. Understanding the ownership and control structure of the client.

vi. Conducting ongoing due diligence and scrutiny, 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 PSSBL 's knowledge of the client, its business and risk profile, taking into account, where necessary, the client's source of funds

vii. PSSBL shall review the due diligence measures including verifying again the identity of the client and obtaining information on the purpose and intended nature of the business relationship, as the case may be, when there are suspicions of money laundering or financing of the activities relating to terrorism or where

viii. PSSBL shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process

Policy for acceptance of clients:

3.

i) No account is opened in a fictitious / benami name or on an anonymous basis.

ii) Factors of risk perception (in terms of monitoring suspicious transactions) of the client are clearly defined having regard to clients' location (registered office address, correspondence addresses and other addresses if applicable), nature of business activity, trading turnover etc. and manner of making payment for transactions undertaken. The parameters shall enable classification of clients into low, medium and high risk. Clients of special category (as given below) may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (KYC) profile.

iii) PSSBL shall undertake enhanced due diligence measures as applicable for Clients of Special Category (CSC). CSC shall include the following:

a) Non - resident clients;

b) High net-worth clients;

c) Trust, Charities, Non-Governmental Organizations (NGOs) and organizations receiving donations;

d) Companies having close family shareholdings or beneficial ownership;

e) Politically Exposed Persons (PEP). PEP are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.

f) Clients in high risk countries. While dealing with clients from or situate in high risk countries or geographic areas or when providing delivery of services to clients through high risk countries or geographic areas i.e. places where existence or effectiveness of action against money laundering or terror financing is suspect, registered intermediaries apart from being guided by the FATF statements that inter alia identify such countries or geographic areas that do not or insufficiently apply the FATF Recommendations, published by the FATF on its website (www.fatfgafi.org) from time to time, shall also independently access and consider other publicly available information along with any other information which they may have access to. However, this shall not preclude registered intermediaries from entering into legitimate transactions with clients from or situate in such high risk countries and geographic areas or delivery of services through such high risk countries or geographic areas;

g) Non face to face clients. Non face to face clients means clients who open accounts without visiting the branch/offices of the registered intermediaries or meeting the officials of the registered intermediaries. Video based customer identification process is treated as face-to-face onboarding of clients;

h) Clients with dubious reputation as per public information available etc; The above mentioned list is only illustrative and the intermediary shall exercise independent judgment to ascertain whether any other set of clients shall be classified as CSC or not.

iv. Documentation requirements and other information to be collected in respect of different classes of clients depending on the perceived risk and having regard to the requirements of Rule 9 of the PML Rules, Directives and Circulars issued by SEBI from time to time.

v. Ensure that an account is not opened where PSSBL is unable to apply appropriate CDD measures/ KYC policies. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to PSSBL is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. PSSBL shall not continue to do business with such a person and file a suspicious activity report. It shall also evaluate whether there is suspicious trading in determining whether to freeze or close the account. PSSBL shall be cautious to ensure that we do not return securities of money that may be from suspicious trades. However, PSSBL shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.

vi. The circumstances under which the client is permitted to act on behalf of another person / entity shall be clearly laid down. It shall be specified in what manner the account shall be operated, transaction limits for the operation, additional authority required for transactions exceeding a specified quantity/value and other appropriate details. Further the rights and responsibilities of both the persons .i.e. the agent- client registered with PSSBL, as well as the person on whose behalf the agent is acting shall be clearly laid down. Adequate verification of a person's authority to act on behalf of the client shall also be carried out.

vii. Necessary checks and balance 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

viii. The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).

Client identification procedure (CIP)

4. The KYC policy shall clearly spell out the client identification procedure to be carried out at different stages i.e. while establishing the client relationship, while carrying out transactions for the client or when PSSBL has doubts regarding the veracity or the adequacy of previously obtained client identification data. PSSBL shall be in compliance with the following requirements while putting in place a Client Identification Procedure (CIP):

5. PSSBL shall proactively put in place appropriate risk management systems to determine whether its existing client or potential client or the beneficial owner of such client is a politically exposed person. Such procedures shall include seeking relevant information from the client, referring to publicly available information or accessing the commercial electronic databases of PEPs. Further, the enhanced CDD measures as outlined in 2.2.5 shall also be applicable where the beneficial owner of a client is a PEP.

i. Senior management approval would be obtained for establishing business relationships with PEPs. Where a client has been accepted and the client or beneficial owner is subsequently found to be, or subsequently becomes a PEP, PSSBL shall obtain approval from ED/Director to continue the business relationship.

ii. PSSBL shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.

iii. The client shall be identified by PSSBL by using reliable sources including documents / information. PSSBL shall obtain adequate information to satisfactorily establish the identity

iv. Of each new client and the purpose of the intended nature of the relationship.

v. The information must be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by PSSBL in compliance with the directives. Each original document shall be seen prior to acceptance of a copy.

vi. Failure by prospective client to provide satisfactory evidence of identity shall be noted and reported to the higher authority (Principal Officer) within PSSBL

6 SEBI has prescribed the minimum requirements relating to KYC from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been prescribed or which may be prescribed by SEBI from time to time PSSBL shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices.

7 Further, PSSBL shall conduct ongoing due diligence where it notices inconsistencies in the information provided. The underlying objective shall be to follow the requirements enshrined in the PMLA, SEBI Act and Regulations, directives and circulars issued thereunder so that the PSSBL is aware of the clients on whose behalf it is dealing.

8 PSSBL shall formulate and implement a CIP which shall incorporate the requirements of the PML Rules Notification No. 9/2005 dated July 01, 2005 (as amended from time to time), which notifies rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients and such other additional requirements that is considered appropriate to enable PSSBL to determine the true identity of its clients.

It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to PSSBL from obtaining the minimum information/documents from clients as stipulated in the PML Rules/ SEBI Circulars (as amended from time to time) regarding the verification of the records of the identity of clients. Further no exemption from carrying out CDD exists in respect of any category of clients. In other words, there shall be no minimum investment threshold/ category-wise exemption available for carrying out CDD measures by PSSBL. This shall be strictly implemented by PSSBL.

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

9 PSSBL may rely on a third party for the purpose of

- i. Identification and verification of the identity of a client and
- ii. Determination of whether the client is acting on behalf of a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner. Such third party shall be regulated, supervised or monitored for, and have measures in place for compliance with CDD and record-keeping requirements in line with the obligations under the PML Act.

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

Risk Management

Risk-based Approach:

11 It is generally recognized that certain clients may be of a higher or lower risk category depending on the circumstances such as the client's background, type of business relationship or transaction

etc. As such, PSSBL shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that PSSBL shall adopt an enhanced client due diligence process for higher risk categories of clients. Conversely, a simplified client due diligence process may be adopted for lower risk categories of clients. In line with the risk-based approach, the type and amount of identification information and documents that PSSBL shall obtain necessarily depend on the risk category of a particular client.

12 Further, low risk provisions shall not apply when there are suspicions of ML/FT or when other factors give rise to a belief that the customer does not in fact pose a low risk

Risk Assessment

13 PSSBL 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 the URL

http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and
<http://www.un.org/sc/committees/1988/list.shtml>

14 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 analyzed regularly as and when required.

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Monitoring of transactions

16 Regular monitoring of transactions is vital for ensuring effectiveness of the AML procedures. This is possible only if PSSBL has an understanding of the normal activity of the client so that it can identify deviations in transactions / activities.

17 PSSBL shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. PSSBL may specify internal threshold limits for each class of client accounts and pay special attention to transactions which exceeds these limits. The background including all documents/office records /memorandums/clarifications sought pertaining to such transactions and purpose thereof shall also be examined carefully and findings shall be recorded in writing. Further such findings, records and related documents shall be made available to auditors and also to SEBI/stock exchanges/FIUIND/ other relevant Authorities, during audit, inspection or as and when required. These records will be maintained and preserved for a period of five years from the date of transaction between the clients and PSSBL.

18. PSSBL shall apply client due diligence measures also to existing clients on the basis of materiality and risk, and conduct due diligence on such existing relationships appropriately. The extent of monitoring shall be aligned with the risk category of the client

19. PSSBL shall ensure a record of the transactions is preserved and maintained in terms of Section 12 of the PMLA and that transactions of a suspicious nature or any other transactions notified under Section 12 of the Act are reported to the Director, FIU-IND. Suspicious transactions shall also be regularly reported to the higher authorities (Director) within PSSBL.

20 Further, the compliance cell of PSSBL shall randomly examine a selection of transactions undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transactions or not. All regulatory alerts generated by shall be monitored by the Principal Officer for necessary action to be taken

Suspicious Transaction Monitoring and Reporting

21. PSSBL shall ensure that appropriate steps are taken to enable suspicious transactions to be recognized and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, PSSBL shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

22. A list of circumstances which may be in the nature of suspicious transactions is given below. This list is only illustrative and whether a particular transaction is suspicious or not will depend upon the background, details of the transactions and other facts and circumstances:

- i. Clients whose identity verification seems difficult or clients that appear not to cooperate
- ii. Clients based in high risk jurisdictions;
- iii. Substantial increases in business without apparent cause;
- iv. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;

v. Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services, businesses reported to be in the nature of export- import of small items.

23. Any suspicious transaction shall be immediately notified to the ED/Director/Principal Officer or any other designated officer within PSSBL. However, it shall be ensured that there is continuity in dealing with the client as normal until told otherwise and the client shall not be told of the report/ suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken. The Principal Officer and other appropriate compliance, risk management and related staff members shall have timely access to client identification data and CDD information, transaction records and other relevant information.

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

25. Paragraph 12(iii) (f) of this policy categorizes clients of high risk countries, including countries where existence and effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, as 'CSC'. Such clients shall also be subject to appropriate counter measures. These measures may include a further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of financial transactions, and applying enhanced due diligence while expanding business relationships with the identified country or persons in that country etc.

Information to be maintained

26. PSSBL will maintain and preserve the following information in respect of transactions referred to in Rule 3 of PML Rules:

i) the nature of the transactions;

- ii) the amount of the transaction and the currency in which it is denominated;
- iii) the date on which the transaction was conducted; and
- iv) the parties to the transaction

Record Keeping

27. PSSBL shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.

28. PSSBL shall maintain such records as are sufficient to permit reconstruction of individual transactions (including the amounts and types of currencies involved, if any) so as to provide, if necessary, evidence for prosecution of criminal behavior.

29. 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 a financial profile of the suspect account. To enable this reconstruction, PSSBL shall retain the following information for the accounts of their clients in order to maintain a satisfactory audit trail:

- i. the beneficial owner of the account;
- ii. the volume of the funds flowing through the account; and
- iii. for selected transactions:

- a. the origin of the funds