

Nikunj Stock Brokers Limited
Prevention of Money Laundering Policy

(For internal circulation only)

Version 2015

1. Background:

The Prevention of Money Laundering Act, 2002 (PMLA) has been brought into force with effect from 1st July 2005 and it provides for Anti-money Laundering and Anti terrorist Financing measures to be taken in India and the rules framed hereunder provides guidance on the practical implementation of the provisions laid down in the Act. The Director appointed by Financial Intelligence Unit-INDIA (FIU-IND) has been conferred with exclusive and concurrent powers under relevant sections of the Act to implement its provisions. The Act imposes an obligation on banking companies, financial institutions and intermediaries associated with the securities market and registered with the Securities and Exchange Board of India (SEBI) under section 12 of SEBI Act, 1992. The stock brokers fall under the category of intermediaries under section 12 of SEBI Act, 1992, and hence the provisions of PMLA are also applicable to all the stock brokers. Establishment of Anti-money Laundering programs by Market Intermediaries are one of the central recommendations of the Financial Action Task Force (FATF).

SEBI has issued necessary directives from time to time vide its circulars covering issues related to Know Your client (KYC) norms, Anti Money Laundering (AML), Client Due Diligence (CDD) and Combating Financing of Terrorism (CFT). This policy document is based on the SEBI's master circular on PMLA bearing reference no. ISD/AML/CIR-1/2010 dated February 12, 2010 and subsequent circular bearing reference no. CIR/ISD/AML/2/2010 dated June 14, 2010, which consolidates requirements/obligations to be fulfilled by all the registered intermediaries. This policy will be subject to changes in order to incorporate further directives that SEBI may give vide its circulars on PMLA, from time to time.

As a market participant it is essential that strict and vigilant tracking of transactions of suspicious nature be undertaken. Accordingly the Company has laid down following policy guidelines of its staff:

2. Principal Officer:

Mr. Pramod Kumar Sultania has been appointed as the Principal Officer. He will be responsible for implementation of internal controls & procedures for identifying and reporting any suspicious transaction or activity to the concerned authorities. Further the company has intimated the name of Mr. Pramod Kumar Sultania as Designated Director of the company to FIU.

3. Internal Policies, Procedures & Controls:

Company has adopted written procedures to implement the anti money laundering provisions as envisaged under the Anti Money Laundering Act, 2002. Such procedures include inter-alia, the following three 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)

4. Customer Due Diligence

The customer due diligence ("CDD") measures comprises the following:

- a. Obtaining sufficient information in order to identify persons who beneficially own or control 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 should 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.
- b. Verify the customer's identity using reliable, independent source documents, data or information; Identify beneficial ownership and control, i.e. determine which individual(s) ultimately own(s) or control(s) the customer and/or the person on whose behalf a transaction is being conducted; Verify the identity of the beneficial owner of the customer and/or the person on whose behalf a transaction is being conducted, corroborating the information provided in relation to (c); and
- c. Conduct 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 the registered intermediary's knowledge of the customer, its business and risk profile, taking into account, where necessary, the customer's source of funds.

5. Policy for acceptance of clients:

Considering the potential threat of usage of the financial services by a money launderer, it is essential to make reasonable efforts to determine the true identity of clients. NSBL has to put in place effective procedures to obtain requisite details for proper identification of new customers.

1. ALL KYC Documentations and Procedures shall be followed at the time of account opening and no account shall be opened where NSBL is unable to apply appropriate KYC parameters. This may be applicable in cases where it is not possible to ascertain the identity of the client, or the information provided to NSBL is suspected to be non genuine or there is perceived non cooperation of the client in providing full and complete information.
2. The submission of all documents required under this policy shall be prerequisite for account opening for all clients. Incomplete application including incomplete documentation will be rejected. NSBL will follow the industry standard for implementing client identification procedure.

3. The authorized official/employees of NSBL shall personally verify the photograph of the client affixed on the Account Opening Form (AOF) and the proof of identity documents with the person concerned. A stamp of **In Person Verification done** must be affixed (as a proof of In Person Verification) on the AOF against the photograph of the client & verified with original stamp should be affixed on the proof of identity documents. The authorized official of the NSBL who has done in-person verification and verified the documents with original should also sign on the AOF & ID proof.
4. Each original document shall be seen prior to acceptance of a copy. Stamp of **documents verified with originals** must be affixed along with the signature of the authorized person.
5. Verify the customer's identity using reliable, independent source documents, data or information by following procedure:
 - a) The PAN Card details should be verified with the name(s) appearing on the website of the Income Tax Department, <http://incometaxindiaefiling.gov.in/>. In case the name(s) do not match or the PAN Card details are not present in the PAN Card database, NSBL should seek necessary clarification from the applicant(s) and activate the account only when the discrepancy is resolved.
 - b) KYC status of the clients should be checked with all the KRA's and if already registered with a KRA, the details should be downloaded and should be cross checked with the details provided in AOF. In case there is no discrepancy, the client should be registered on the basis of KYC record subject to other check specified hereunder.
 - c) NSBL shall maintain list of the person who have been debarred by SEBI and shall update the list on the regular basis and ensure that no client's application is accepted if the name of such client falls in the list of debarred person maintained by NSBL.
 - d) Precaution shall be taken as far as possible 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 provided appropriate information is available to identify a person based on PAN number/ address/any other appropriate information is available to NSBL from websites generally known for such purpose/information provided by SEBI/BSE/NSE.
 - e) As per guidance provided by SEBI/BSE/NSE, NSBL shall put in place necessary procedures to determine whether their existing/potential client is a politically exposed person (PEP) of foreign origin. Such procedures would include seeking additional information from clients, accessing publicly available information etc. as per guidance provided by SEBI/BSE/NSE. As per guidance provided by SEBI/BSE/NSE,
6. In case of any discrepancy or non-provision of information by the client, NSBL shall seek necessary clarification from the applicant and activate the account only when the discrepancy is resolved or the deficiency is fulfilled. For e.g. Cases where names mentioned on the AOF and that on the PAN Card do not match etc.

7. NSBL shall obtain sufficient information from the clients in order to identify person who beneficially owns and controls accounts. If client is other than individual, beneficial ownership of client shall be determined as per **Guidelines on Identification of Beneficial Ownership** given in SEBI circular No.CIR/MIRSD/2/2013 dated 24.01.2013.
8. Precaution to be taken that no account is opened in a fictitious/ benami name or on an anonymous basis.
9. NSBL shall categorize its clients into low, medium and high risk as per the Client categorization procedure adopted by NSBL from time to time. Clients shall be categorized at the time of account opening with NSBL based on recommendation made by the Branch Manager/ Relationship Manager/Sub-Broker/ Authorized Person who introduces the client, information provided by the Client in KYC, information available in public domain, etc. Clients of special category as stated in the SEBI circular will be closely monitored unless the client is found to be of low/ medium risk depending upon information about the client collected through KYC, etc.
10. The applicant shall be required to disclose his / her financial status & occupation details as required by PMLA. In case of Non Individual clients like, corporate, Trust, Partnership firms, etc. last 2 years balance sheet may be obtained.
11. NSBL may modify the Format of Account Opening Form (AOF) to obtain the necessary information of the client in order to achieve PMLA objective.
12. NSBL shall take reasonable measures to verify the sources of funds as well as wealth of the clients and ensure that they are routed through proper banking channels. NSBL shall reasonable steps to ensure that funds are received from a client through his bank account registered with NSBL and payment to the client will be made through **Account Payee** cheque and / or direct credit to the client bank account registered with NSBL. NSBL is neither accepting cash from its clients nor giving cash to its clients. As per SEBI directive, NSBL will get banker's certificate whenever a client gives demand draft.
13. NSBL shall ensure that **maker-checker facility** is in place for all its operation as a risk management measure as well as to increase efficiency. In case of mismatch of signature/s on PAN and the AOF, NSBL shall ask for an alternate proof of identity bearing client's signature as put on AOF or bank verification of the signature.
14. In case a new client is Politically Exposed Person (PEP) or a new client is a relative of PEP then such client activation must be done only after getting prior approval of Compliance Officer/Director. Director/Compliance Officer's approval will also be taken when an existing client become PEP at later stage
15. 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 will 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 KYC profile.

16. Documentation requirement and other information to be collected in respect of different classes of clients depending on perceived risk and having regard to the requirement to the Prevention of Money Laundering Act 2002, guidelines issued by RBI and SEBI from time to time.
17. The circumstances under which the client is permitted to act on behalf of another person / entity should be clearly laid down. It should be specified in what manner the account should 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 the company, as well as the person on whose behalf the agent is acting should be clearly laid down). Adequate verification of a person's authority to act on behalf the customer should also be carried out.

6. Risk-based Approach

It is generally recognized that certain customers may be of a higher or lower risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. As such, the back office and trading staff should apply each of the customers due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the back office and trading staff 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, the type and amount of identification information and documents that the back office and trading staff should obtain necessarily depend on the risk category of a particular customer.

Details of documentation requirement and other information to be collected in respect of different classes of clients depending upon perceived risk?

Low Risk Clients:

Accounts of individuals with reasonable Turnover:

1. Recent Photograph
2. Id proof
3. Address proof
4. Copy of PAN
5. Income proof (if he/she wants to trade in derivatives)
6. Telephone Numbers

Moderate Risk Clients:

In case of corporate Clients:

1. Certificate of incorporation and Memorandum & Articles of Association
2. Board Resolution of the Directors of the company to open an account and identification of those who have authority to operate the account
3. Mailing address of the company
4. Copy of PAN

5. List of Top shareholders
6. Copy of the Audited Balance Sheet of last two years
7. Copy of the Income Tax Return of Last years
8. Telephone Numbers.

Accounts of partnership firms

1. Registration certificate, if registered
2. Copy of Partnership deed
3. Address proof
4. Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf
5. Names of all partners and their addresses
6. Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses
7. Telephone numbers of the firm and partners

High Risk Clients:

Accounts of trusts & foundations

1. Names of trustees, settlers, beneficiaries and signatories Certificate of registration, if registered.
2. Power of Attorney granted to transact business on its behalf
3. Names and addresses of the founder, the managers/directors
4. Any officially valid document to identify settlers, beneficiaries and the beneficiaries and those holding Power of Attorney
5. founders/managers/directors' addresses
6. Telephone/fax numbers Resolution of the managing body of foundation/association

High Net worth clients and NRIs and persons having Political Influence

In addition to applicable information as per the category of the client, any additional information about the identity, source of funds invested etc. which may be justified, be called so that bonafide of the client is established.

7. Clients of special category (CSC):

Such clients include the following-

- a. Non resident clients ✓
- b. High networth clients,
- c. Trust, Charities, NGOs and organizations receiving donations
- d. Companies having close family shareholdings or beneficial ownership
- e. Politically exposed persons (PEP) of foreign origin
- f. 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)
- g. Companies offering foreign exchange offerings
- h. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where 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 centres, tax havens, countries where fraud is highly prevalent.

- i. Non face to face clients
- j. Clients with dubious reputation as per public information available etc.

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

8. Client identification procedure:

- a) The KYC /client identification procedures have been specified and strengthened by SEBI from time to time. The client should be identified by the back office and trading staff by using reliable sources including documents / information. The back office and trading staff should obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- b) All The back office and trading staff should put in place necessary procedures to determine whether their existing/potential customer is a politically exposed person (PEP). Such procedures would include seeking additional information from clients, accessing publicly available information etc.
- c) All The back office and trading staff are required to obtain Director/Compliance Officer's approval for establishing business relationships with Politically Exposed Persons. Where a customer has been accepted and the customer or beneficial owner is subsequently found to be, or subsequently becomes a PEP, The back office and trading staff shall obtain senior management approval to continue the business relationship.
- d) The back office and trading staff shall take reasonable measures to verify source of funds of clients identified as PEP.
- e) The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in future that due diligence was observed by the intermediary in compliance with the Guidelines. Each original document should be seen prior to acceptance of a copy.
- f) Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority within the intermediary.
- g) SEBI has prescribed the minimum requirements relating to KYC for different class of investors 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. All the back office and front office staff should follow those guidelines and frame their own internal guidelines based on their experience in dealing with their clients and legal requirements as per the established practices. Further, the back office and trading staff should also maintain continuous familiarity and follow-up where it notices inconsistencies in the information provided. The underlying objective should be to follow the requirements enshrined in the PML

Act, 2002, SEBI Act, 1992 and Regulations, directives and circulars issued there under so that the back office and trading staff is aware of the clients on whose behalf it is dealing.

- a) Company will formulate and implement a client identification programme which shall incorporate the requirements of the 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 of the banking companies, financial institutions and intermediaries of securities market and such other additional requirements that it considers appropriate to enable it to determine the true identity of its clients. A copy of the client identification programme shall be forwarded to the Director, FIU- IND.
- b) It may be noted that while risk based approach may be adopted at the time of establishing business relationship with a client, no exemption from obtaining the minimum information/documents from clients as provided in the PMLA Rules is available to brokers in respect of any class of investors with regard to the verification of the records of the identity of clients.

9. Record Keeping

- a) The back office and trading staff should ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made there-under, PML Act, 2002 as well as other relevant legislation, Rules, Regulations, Exchange Bye-laws and Circulars.
- b) The back office and trading staff should 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.
- c) 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, The back office and trading staff should retain the following information for the accounts of their customers 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:
 - the origin of the funds;
 - the form in which the funds were offered or withdrawn, e.g. cash, cheques, etc.;
 - the identity of the person undertaking the transaction;
 - the destination of the funds;
 - the form of instruction and authority.

- d) The back office and trading staff should ensure that all customer and transaction records and information are available on a timely basis to the competent investigating authorities. Where appropriate, they should consider retaining certain records, e.g. customer identification, account files, and business correspondence, for periods which may exceed that required under the SEBI Act, Rules and Regulations framed there-under PMLA 2002, other relevant legislations, Rules and Regulations or Exchange bye-laws or circulars.
- e) More specifically, the back office and trading staff shall put in place a system of maintaining proper record of transactions prescribed under Rule 3, notified under the Prevention of Money Laundering Act (PMLA), 2002 as mentioned below:
- f) No cash transactions irrespective of the value should be undertaken
- g) all suspicious transactions as mentioned in the Rules.

10. Information to be maintained

Company will 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.

11. Retention of Records

The back office and trading staff should take appropriate steps to evolve an internal mechanism for proper maintenance and preservation of such records and information in a manner that allows easy and quick retrieval of data as and when requested by the competent authorities. Further, the records mentioned in Rule 3 of PMLA Rules have to be maintained and preserved for a period of five years from the date of cessation of the transactions between the client and intermediary.

- a) As stated in para 1.5, The back office and trading staff are required to formulate and implement the client identification program containing the requirements as laid down in Rule 9 and such other additional requirements that it considers appropriate. The records of the identity of clients have to be maintained and preserved for a period of five years from the date of cessation of the transactions between the client and intermediary.
- b) Thus the following document retention terms should be observed:
- c) All necessary records on transactions, both domestic and international, should be maintained 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.
- d) Records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence should also be kept for the same period.

- e) In situations where the records relate to on-going investigations 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.

12. Monitoring of transactions

- a) Regular monitoring of transactions is vital for ensuring effectiveness of the Anti Money Laundering procedures. This is possible only if The back office and trading staff has an understanding of the normal activity of the client so that they can identify the deviant transactions / activities.
- b) The back office and trading staff should pay special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose. The back office and trading staff may specify internal threshold limits for each class of client accounts and pay special attention to the transaction which exceeds these limits.
- c) The back office and trading staff should ensure a record of transaction is preserved and maintained in terms of section 12 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 law authority. Suspicious transactions should also be regularly reported to the higher authorities / head of the department.
- d) Further the compliance cell of the company randomly examines a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the suspicious transactions or not.

13. Suspicious Transaction Monitoring & Reporting

- a) The back office and trading staff should ensure to take appropriate steps to enable suspicious transactions to be recognised and have appropriate procedures for reporting suspicious transactions. While determining suspicious transactions, intermediaries should be guided by definition of suspicious transaction contained in PML Rules as amended from time to time.
- b) 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 appears not to cooperate
 - ii. Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity;
 - iii. Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions;
 - iv. Substantial increases in business without apparent cause;
 - v. Unusually large cash deposits made by an individual or business;

- vi. Clients transferring large sums of money to or from overseas locations;
 - vii. Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items.
- c) Any suspicion transaction should be immediately notified to the Money Laundering Control Officer or any other designated officer within the intermediary. The notification may be done in the form of a detailed report with specific reference to the clients, transactions and the nature /reason of suspicion. However, it should be ensured that there is continuity in dealing with the client as normal until told otherwise and the client should not be told of the report/suspicion. In exceptional circumstances, consent may not be given to continue to operate the account, and transactions may be suspended, in one or more jurisdictions concerned in the transaction, or other action taken.
- d) It is likely that in some cases transactions are abandoned/aborted by customers on being asked to give some details or to provide documents. It is clarified that intermediaries should report all such attempted transactions in STRs, even if not completed by customers, irrespective of the amount of the transaction.

14. Policy on Outsourcing of Activities & Reliance on Third Party

The company, as a policy, does not outsource any of the function of its Depository and Broking Division and does not rely on third party for any function of its Depository and or Broking Division.

15. Reporting to Financial Intelligence Unit-India

- a) In terms of the PMLA rules, intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:
- Director, FIU-IND,
Financial Intelligence Unit-India,
6th Floor, Hotel Samrat,
Chanakyapuri,
New Delhi-110021.
Website: <http://fiuindia.gov.in>
- b) The back office and trading staff 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. These documents contain detailed guidelines on

the compilation and manner/procedure of submission of the manual/electronic reports to FIU-IND. The related hardware and technical requirement for preparing reports in manual/electronic format, the related data files and data structures thereof are also detailed in these documents. If not in a position to immediately file electronic reports, may file manual reports to FIU-IND as per the formats prescribed. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, The back office and trading staff should adhere to the following:

- i. The Suspicious Transaction Report (STR) should be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.
 - ii. The Principal Officer will be responsible for timely submission of STR to FIU-IND;
 - iii. Utmost confidentiality should be maintained in filing of STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.
 - iv. No nil reporting needs to be made to FIU-IND in case there are no suspicious transactions to be reported
- c) The back office and trading staff should not put any restrictions on operations in the accounts where an STR has been made. The directors, officers and employees (permanent and temporary) should be prohibited from disclosing ("tipping off") the fact that a STR or related information is being reported or provided to the FIU-IND. Thus, it should be ensured that there is no tipping off to the client at any level.

16. Designation of an officer for reporting of suspicious transactions

To ensure that the back office and trading staff properly discharge their legal obligations to report suspicious transactions to the authorities, 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. Names, designation and addresses (including e-mail addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU. As a matter of principle, it is advisable that the 'Principal Officer' is of a sufficiently higher position and is able to discharge his functions with independence and authority.

17. Employees' Hiring/Employee's Training/ Investor Education

- a) **Hiring of Employees:** The company will have adequate screening procedures in place to ensure high standards when hiring employees. They should identify the key positions within their own organization structures having regard to the risk of money laundering and terrorist financing and

the size of their business and ensure the employees taking up such key positions are suitable and competent to perform their duties.

- b) **Employees' Training:** Company must have an ongoing employee training programme so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements should have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind these guidelines, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.
- c) **Investors Education:** Implementation of AML/CFT measures requires The back office and trading staff to demand certain information from investors which may be of personal nature or which 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 customer with regard to the motive and purpose of collecting such information. There is, therefore, a need for the back office and trading staff to sensitize their customers about these requirements as the ones emanating from AML and CFT framework. The back office and trading staff should prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the AML/CFT programme.

18. REVIEW OF POLICY

The aforesaid AML policy shall be reviewed periodically with regard to testing its adequacy to meet the compliance requirements of PMLA 2002. The Principal Officer shall be the authority to give directions to undertake additions, changes, modifications etc. as directed by SEBI/ FIU-IND.