



RAJGUL SECURITIES PRIVATE LIMITED

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ANTI MONEY LAUNDERING POLICY

Rajgul Securities Private Limited

FOR NSE & CDSL

POLICIES & PROCEDURES ADOPTED FOR PREVENTION OF MONEY LAUNDERING (Issued as per the requirements of PMLA Act 2002)

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Policy reviewed on: 02-11-2024

Policy approved by: Board of Directors

Policy approved on: 06-12- 2024

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To,

All Recognized Stock Exchanges

Stock Brokers through Recognized Stock Exchanges

Madam/Sir,

Subject: Master Circular for Stock Brokers

- I. Securities and Exchange Board of India (SEBI), from time to time, has been issuing various circulars/directions to Stock Brokers. In order to enable the users to have access to the provisions of the applicable circulars at one place, SEBI had issued Master Circular dated May 22, 2024 in respect of Stock Brokers.
- II. Subsequently, various guidelines/directions were issued to Stock Brokers by way of circulars/advisory. In view of the same, the Master Circular dated May 22, 2024 has been updated to include all relevant circulars that were issued till date i.e. August 09, 2024¹. The instant master circular supersedes the Master Circular for Stock Brokers dated May 22, 2024.
- III. Vide Master Circular for Stock Brokers dated May 22, 2024, the directions/instructions contained in the circulars listed out in the Appendix to that Master Circular, to the extent they relate to the Stock Brokers, were rescinded. In addition, with the issuance of this Master Circular, the directions/instructions contained in the circulars listed out at Sr. nos.117-118 in the Appendix to this Master Circular, to the extent they relate to the Stock Brokers, shall stand rescinded.
- IV. Notwithstanding such rescission,

- a) anything done or any action taken or purported to have been done or taken under the rescinded circulars, prior to such rescission, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular;
 - b) any application made to the Board under the rescinded circulars, prior to such rescission, and pending before it shall be deemed to have been made under the corresponding provisions of this Master Circular;
 - c) the previous operation of the rescinded circulars or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the rescinded circulars, any penalty, incurred in respect of any violation committed against the rescinded circulars, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty as aforesaid, shall remain unaffected as if the rescinded circulars have never been rescinded;
- V. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992.
- VI. This circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Aradhana Verma
General Manager
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Overview

1. The Directives as outlined below provide a general background and summary of the main provisions of the applicable anti-money laundering and anti-terrorist financing legislations in India. They also provide guidance on the practical implications of the Prevention of Money Laundering Act, 2002 (**PMLA**). The Directives also set out the steps that a registered intermediary or its representatives shall implement to discourage and to identify any money laundering or terrorist financing activities.
2. These Directives are intended for use primarily by intermediaries registered under Section 12 of the Securities and Exchange Board of India Act, 1992 (**SEBI Act**), Stock Exchanges, Depositories and other recognised entities under the SEBI Act and Regulations and rules thereunder. While it is recognized that a “one-size-fits-all” approach may not be appropriate for the securities industry in India, each registered intermediary shall consider the specific nature of its business, organizational structure, type of clients and transactions, etc. when implementing the suggested measures and procedures to ensure that they are effectively applied. The overriding principle is that they shall be able to satisfy themselves that the measures taken by them are adequate, appropriate and abide by the spirit of such measures and the requirements as enshrined in the PMLA.

Background

3. As per the provisions of PMLA and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PML Rules), as amended from time to time and notified by the Government of India, every reporting entity (which includes intermediaries registered under section 12 of the SEBI Act, i.e. a stock-broker, share transfer agent, banker to an issue, trustee to a trust deed, registrar to an issue, asset management company, depository participant, merchant banker, portfolio manager, investment adviser and any other intermediary associated with the securities market and registered under Section 12 of the SEBI Act and stock exchanges), shall have to adhere to the client account opening procedures, maintenance records and reporting of such transactions as prescribed by the PMLA and rules notified there under.

The PML Rules empower SEBI to specify the information required to be maintained by the intermediaries and the procedure, manner and form in which it is to be maintained. It also mandates the reporting entities to evolve an internal mechanism having regard to any guidelines issued by the regulator for detecting the transactions specified in the PML Rules and for furnishing information thereof, in such form as may be directed by SEBI.

4. The PMLA inter alia provides that violating the prohibitions on manipulative and deceptive devices, insider trading and substantial acquisition of securities or control as provided in Section 12A read with Section 24 of the SEBI Act will be treated as a scheduled offence under schedule B of the PMLA.

Policies and Procedures to Combat Money Laundering and Terrorist Financing

Essential Principles:

5. These Directives have taken into account the requirements of the PMLA as applicable to the intermediaries registered under Section 12 of the SEBI Act. The detailed directives have outlined relevant measures and procedures to guide the registered intermediaries in preventing ML and TF. Some of these suggested measures and procedures may not be applicable in every circumstance. Each intermediary shall consider carefully the specific nature of its business, organizational structure, type of client and transaction, etc. to satisfy itself that the measures taken by it are adequate and appropriate and follow the spirit of the suggested measures and the requirements as laid down in the PMLA and guidelines issued by the Government of India from time to time.
6. In case there is a variance in Client Due Diligence (CDD)/ Anti Money Laundering (AML) standards specified by SEBI and the regulators of the host country, branches/overseas subsidiaries of registered intermediaries are required to adopt the more stringent requirements of the two.
7. If the host country does not permit the proper implementation of AML/CFT measures consistent with the home country requirements, financial groups shall be required to apply appropriate additional measures to manage the ML/TF risks, and inform SEBI.

Obligation to establish policies and procedures

8. Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. The PMLA is in line with these measures and mandates that all registered intermediaries ensure the fulfilment of the aforementioned obligations.
9. The term "group" shall have the same meaning assigned to it in clause (cba) of sub-rule (1) of Rule 2 of the PML Rules as amended from time to time. Groups shall implement group-wide policies for the purpose of discharging obligations under Chapter IV of the PMLA.
10. Financial groups shall be required to implement group-wide programs for dealing with ML/TF, which shall be applicable, and appropriate to, all branches and majority owned subsidiaries of the financial group as under:
 - a. policies and procedures for sharing information required for the purposes of CDD and ML/TF risk management;
 - b. the provision, at group level compliance, audit, and/or AML/CFT functions, of customer, account, and transaction information from branches and subsidiaries when necessary for AML/CFT purposes. This shall include information and analysis of transactions or activities which appear unusual (if such analysis was done);
similar provisions for receipt of such information by branches and subsidiaries from these group level functions when relevant and appropriate to risk management; and
 - c. adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.
11. To be in compliance with these obligations, the senior management of a registered intermediary shall be fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory

requirements. The registered intermediaries shall:

- i. issue a statement of policies and procedures and implement, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements;
- ii. ensure that the content of these Directives are understood by all staff members;
- iii. regularly review the policies and procedures on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures;
- iv. adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF;
- v. undertake CDD measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction;
- vi. have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and
- vii. develop staff members' awareness and vigilance to guard against ML and TF.

12. Policies and procedures to combat ML and TF shall cover:

- i. Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc. whether in branches, departments or subsidiaries;
- ii. Client acceptance policy and client due diligence measures, including requirements for proper identification;
- iii. Maintenance of records;
- iv. Compliance with relevant statutory and regulatory requirements;
- v. Co-operation with the relevant law enforcement authorities, including the timely disclosure of information;

- vi. Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, 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; and,
- vii. The internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors.

PMLA Policy

SEBI had issued the Guidelines on Know Your Customer (KYC) standards and Anti Money Laundering (AML) Act measures vide their notification no. ISD/CIR/RR/AML/1/06 dated 18th January, 2006. The Guidelines issued with the circular are in the context of the recommendation made by the Financial Action Task Force (FATF) on anti-money laundering standards. Compliance with these standards by all SEBI Registered intermediaries in the country has become imperative. These Guidelines lay down the minimum requirements / disclosures to be made with respect to clients.

What is Money Laundering?

Money Laundering can be defined as engaging in financial transactions to conceal the identity, source and destination of the money in question that involve income derived from criminal activity, making the capital and assets that are illegally gained, transactions designed to conceal the true origin of criminally derived proceeds and appears to have been received through legitimate sources/origins. Money laundering generally involves a series of multiple transactions used to disguise the source of financial assets so that these assets may be used without comprising the criminals who are seeking to use the funds.

This is done in three phases - Placement Phase, Layering Phase & Integration Phase.

- i. Placement Phase - The physical disposal of Derivative proceeds derived from illegal/criminal activity

- ii. Layering Phase - Separating illicit proceeds from their source by creating complex layers of financial transactions designed to hamper the audit trail, disguise the origin of such funds and provide anonymity to their owners.
- iii. Integration Phase - Placing the laundered proceeds back into the economy in such a way that they re-enter the financial system appearing to be legitimate business funds. Having identified these stages of the money laundering process, financial institutions are required to adopt procedures to guard against and report suspicious transactions that occur at any stage.

The ability to launder the proceeds of criminal activity through the financial systems of the world is vital to the success of criminal operations. Consequently India, as one of the world's emerging financial markets, has a vital role to play in combating money laundering. Banks, Financial Institutions, Mutual Funds, Brokers, Depositories, Portfolio Managers and Intermediaries becoming involved in money laundering offences could face prosecution under PMLA leading to all possible risks - financial, regulatory, operational, reputation and other risks.

As per the provisions of the PMLA, **RAJGUL SECURITIES PRIVATE LIMITED** as SEBI registered intermediary under Section 12 of the SEBI Act, shall have to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Such transactions include;

- i. All cash transactions of the value of more than Rs. Ten (10) lakh or its equivalent in foreign currency
- ii. All series of cash transactions integrally connected to each other which have been valued below Rs. Ten (10) lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency
- iii. All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- iv. All suspicious transactions whether or not made in cash, by way of as mentioned in the Rules and including, inter-alia, credits or debits into from any non-monetary account such as demat account, security account maintained by the registered intermediary.

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered. In case there is a variance in CDD/AML standards prescribed by SEBI and the regulators of the host country, branches/overseas subsidiaries

of intermediaries are required to adopt the more stringent requirements of the two.

Financial Intelligence Unit (FIU) - INDIA

The Government of India has set up Financial Intelligence Unit-India (FIU- IND) on November 18, 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 transactions. 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.

Scope

This policy applies to Rajgul Securities Private Limited (*hereinafter referred as **Rajgul Securities PVT.LTD.***), its Branches / Authorized Persons, officers, employees, products and services offered by Rajgul Securities Private Limited

Policy Objectives

The objective of this policy framework is to:

- a) To create awareness and provide clarity on KYC standards and AML measures to ensure compliance with the laws and regulations in force from time to time.
- b) To prevent the Rajgul Securities Private Limited's business channels/products/services from being used as channel for money laundering.
- c) To establish a framework for adopting AML procedure and controls in the operations/business processes of Rajgul Securities Private Limited
- d) To outline the obligations under PMLA.
- e) To assist regulatory authorities and law enforcement agencies in their effort to investigate and track money launderers.

Basic Principles and Objectives of Money Laundering Prevention

Global measures taken to combat drug trafficking, terrorism and other organized and serious crimes have all emphasized the need for financial institutions, including securities market intermediaries, to establish internal procedures that effectively serve to prevent and impede money laundering and terrorist financing. To ensure the fulfilment of the aforementioned obligations and to assist in compliance with Indian Legislation, Rules and Regulations, the following are some

of the basic principles & objectives of the guidelines:

- a) Issue a statement of policies and procedures, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements
- b) Communication of group policies relating to prevention of ML and TF to all management and relevant staff that handle account information, securities transactions, money and client records etc.
- c) Ensure that the content of these Directives are understood by all staff members.
- d) All staff should have access to information about the current statutory responsibilities, regulatory requirements and relevant staff should be made aware of the anti-money laundering policies and procedures. Relevant staff should be provided with Anti Money Laundering training that helps them to understand the money laundering risks involved in business. Records must be kept regarding persons trained.
- e) Policies, procedures and controls should be established and maintained which aim to deter criminals from using the products and services of the Company for laundering the proceeds of crime.
- f) In developing its policies, procedures and controls, the Company should be aware of the various risk levels.
- g) Satisfactory "Know Your Customer" procedures must be formulated to identify the customers, the principal beneficial owners and the source of the funds obtained from the customer. It also includes knowing the nature of the business that the customer normally expects to conduct, and being alert to transactions that are abnormal within the relationship.
- h) Principal Officer of sufficient seniority, competence and independence, must be appointed to act as the focal point for all the activity relating to money laundering, to monitor compliance and to make regular compliance reports to the Board or Senior Management of the Company.
- i) The Principal Officer must be appointed as the central point of contact with the law enforcement agencies. He / She may take assistance / guidance from other departments.
- j) Unexplained, unusual or abnormal transactions which are not in line with the normal expected trend of transactions in the account including transactions suspected to being linked to criminal conduct should be reported to the Principal Officer who should then determine whether a report should be made to the appropriate authority.
- k) Role of internal audit or compliance function to ensure compliance with the policies, procedures, and controls relating to the prevention of ML and TF, 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 internal audit function shall be independent, adequately resourced and commensurate with the size of the business and operations, organization structure, number of clients and other such factors
- l) The background including all documents / office records / clarifications sought pertaining to such transactions & purpose thereof shall also be examined carefully & finding shall be recorded in writing. Documents & records should be made

available to auditors & SEBI/ Stock Exchanges / FIU-IND etc. These records are required to be preserved for eight (8) years from the date of cessation of transaction between the Client and the Company as per Rule number 9 of PMLA 2002. "Date of Cessation" of transaction shall mean date "date of termination/closure of an account or business relationship".

- m) Reporting lines for suspicious transaction should be clear and unambiguous. All reports should reach the Principal Officer without delay.
- n) Records confirming the identity of customers should be retained for eight (8) years following the cessation of business relationship. The records referred in Rule 3 of Prevention of Money Laundering Rules, 2005 shall be maintained for a period of eight (8) years from the date of cessation of the Transactions between the Client and the intermediary.

Risk-Based Approach:

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, **RAJGUL SECURITIES PRIVATE LIMITED** shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that **RAJGUL SECURITIES PRIVATE LIMITED** 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 **RAJGUL SECURITIES PRIVATE LIMITED** shall obtain necessarily depend on the risk category of a particular client.

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.

Money Laundering Risk Assessments

Risk assessment on money laundering is dependent on kind of customers the Company deals with. Typically, risks are increased if the money launderer can hide behind corporate structures such as limited companies, offshore trusts, special purpose vehicles and nominee arrangements.

The Risk Assessment is required in order to 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 Contract Resolutions.

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.

Risk Classification

The level of Money Laundering (ML) risks that the Company is exposed to by an investor relationship depends on:

1. Type of the customer and nature of business
2. Type of product/service availed by the customer
3. Country where the Customer is domiciled

Based on the above criteria, the customers may be classified into three Money laundering relationship depends on:

The guidelines define certain minimum standards of account documentation for all new customer relationships, to enable the Company to understand the nature of the customer's business, carry evidence of key data regarding the customer and its principal owners/signatories and understand the type and level of activity that is to be considered as normal in the customer's account. Customers may be classified in the following risk categories.

(i) High Risk

In addition to client defined in special category following clients are classified as high risk;

- a) Nonresident clients
- b) High Net-worth clients
- c) Trust, Charities, NGOs and organizations receiving donations
- d) Unlisted Companies
- e) Companies having close family shareholding and beneficial ownership
- f) Politically exposed persons (PEP): Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country eg.: Senior politicians, Heads of States of Government, senior government, /judicial/military/officials.)
- g) Clients who have defaulted in the past, have suspicious background and do not have any financial status.
- h) Companies offering foreign exchange
- i) Clients in high-risk countries: (where existence / effectiveness of money laundering controls is suspect or which do not or insufficiently apply FATF standards, where

there is unusual banking secrecy, countries active in narcotics production countries where corruption (as per transparency international corruption 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.

j) Clients with dubious reputation as per public information available etc.

k) Non face to face Clients.

It should be to determine whether existing / potential customer is a PEP. Such procedures would include seeking additional information from clients. Further approval of senior management is required for — establishment business relationships with PEP & to continue the business relationship with PEP.

All transaction of Clients identified as High Risk Category should be put to counter measures. These measures may include further enhanced scrutiny of transactions, enhanced relevant reporting mechanisms or systematic reporting of transactions and applying enhanced due diligence.

(ii) Medium Risk

Client defined in above category having transaction value exceeds Rs. One (1) Crore and those Clients who are mostly intra-day Clients or speculative Clients. Further based on business directive the clients who maintain running account continuously with the company may also be categorized as Medium risk clients as case to case basis.

(iii) Low Risk

Clients those pose NIL or low risk. They are Individuals/Corporates/HNIs who have respectable social and financial standing. These are the Clients who make a payment on time and take delivery of shares.

The low risk provisions should not apply when there are suspicions of Money Laundering / Financing Terrorism (ML/FT) or when other factors give rise to a belief that the customer does not in fact pose a low risk.

Irrespective of the definition / criteria cited above, BHAJEE PORTFOLIO PVT.LTD., on the basis of various aspects such as transaction volume, pattern of investment, scrip / contract selection, regularity in payments etc., may change / revise the categorisation of a particular / set of customers.

Treatment of Accounts of Clients of Special Category:

- A. Non-Resident Indian (NRI):** While opening NRI account whether repatriable or non-repatriable, utmost care should be exercised and following documents should be collected from the clients:
- a) PAN Card Copy
 - b) Passport Copy
 - c) Indian Address Proof
 - d) Cancelled Cheque copy of NRE A/c
 - e) PIS Permission issued from RBI.
 - f) NRI Address Proof
 - g) Bank Statement Copy.
 - h) Client Master Copy for demat account.
 - i) Tax Residency proof
- B. 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 appetite for investment is high.
- C. Trust, Charity and NGOs:** Both public as well private, registered as well un-registered trust will have to be classified in the Special Category. Any Charitable or Non-governmental organization or a Non Profit Organization will be also classified herein.
- D. Close family shareholdings or Beneficial Ownership:** In case of close family shareholdings the objective is to understand whether the beneficiaries of two or more accounts, which may also be opened at different times, are same, then both need to be marked under this special category.
- E. Politically Exposed Persons:** In case of PEPs, the account should be opened only after consent of the senior management and 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 intermediary shall obtain senior management approval to continue business relationship. **RAJGUL SECURITIES PRIVATE LIMITED** shall verify the sources of funds of the PEP by obtaining bank statements from time to time. In addition norms applicable to PEP, Client Identification Procedure shall also be applied to the accounts of the family members or close relatives of PEPs.
- F. Company offering foreign Exchanges:** At the account opening stage if the individual or the entity is registered foreign exchange dealer, then the same may be categorized.
- G. Client in High Risk Country:** No accounts shall be opened if received from a client who was residing in a high risk jurisdiction and may have investment proceeds which may have also originated from these countries. The list may be obtained from the Financial Action Task Force (FATF) statements that identify countries that do not or insufficiently apply the FATF Recommendations,

published by the FATF on its website (www.fatf-gafi.org).

The link to these public statements on FATF is provided below:

- <https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-february-2020.html>
- <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-february-2020.html>
- <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-february-2020.html>

H. Non-face to face clients.

- I. Client with dubious Public Reputation:** If a client's reputation during the opening of the account or post opening the account is known to be not good, then the same is marked in this special category

Written Anti Money Laundering Procedures

13. The registered intermediary M/s **Rajgul Securities Pvt Ltd** – registered as a Stock broker for NSE **SEBI Reg** INZ000316035 as well as Depository Participant of CDSL UNDER **SEBI REG** IN-DP-CDSL-609-2016 shall adopt 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. Monitoring of Transactions.

Know Your Customer (KYC) and Client Identification Procedure (CIP):

A. Know Your Customer (KYC):

SEBI had issued the Guidelines on Know Your Customer (KYC) standards and Anti Money Laundering Act (AML) measures vide their notification no. ISD/CIR/RR/AML/1/06 dated 18th January, 2006.

We have developed client acceptance policies and procedures that

aim to identify the types of clients that are likely to pose a higher-than-average risk of ML or TF. By establishing such policies and procedures, we will be in a better position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. In a nutshell, the following safeguards are to be followed while accepting the clients:

- No account is opened in a fictitious / benami name or on an anonymous basis.
- 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 may, if necessary, be classified even higher. Such clients require higher degree of due diligence and regular update of Know Your Client (**KYC**) profile.
- 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.
- Ensure that an account is not opened where the intermediary 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 the intermediary is suspected to be non - genuine, or there is perceived non-co-operation of the client in providing full and complete information. It is ensured that we do 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. The market intermediary shall be cautious to ensure that it does not return securities of money that may be from suspicious trades. However, the market intermediary shall consult the relevant authorities in determining what action it shall take when it suspects suspicious trading.
- 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 the intermediary, 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.
- 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.

- The CDD process shall necessarily be revisited when there are suspicions of money laundering or financing of terrorism (ML/FT).
- Each client should be met in person: Company would accept client / s from whom we are able to meet personally. Either, the client should visit the office/branch or concerned official may visit the client at his residence / office address to get the necessary documents filled in and signed.
- Preferably accept clients who live within the jurisdiction of the branch. As far as possible, ensure that the new client is introduced by an existing client or employee. In case of accounts opened in the name(s) of NRI or FNs. (If the Company cannot personally verify the NRI/FN client), the Company/KYC Team shall ensure the photocopies of all the KYC documents/proofs and PAN card are attested by Indian Embassy or Consulate General in the Country where the NRI or FN resides. The attesting authority affix a "verified with originals" stamp on the said documents. The photocopies of the KYC documents and PAN card should be signed by NRI/FN. If the NRI or FN comes in person to open the account, the above attestation are required may be waived.
- Accepts client on whom Company is able to apply appropriate KYC procedures: Obtain complete information from the client. It should be ensured that the initial forms taken by the client are filled in completely. All photocopies submitted by the client are checked against original documents without any exception. All supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges are obtained and verified.
- Do not accept clients with identity matching persons known to have criminal background: Check whether the client's identity matches with any person having known criminal background or is not banned in any other manner, whether in terms of criminal or civil proceedings by any enforcement/regulatory agency worldwide. To check the same, the data available in the public domain may be referred.

KYC team shall check following before admitting any person as client:

1. Client PAN should be checked in for SEBI debar list, Politically Exposed Person list etc.
2. Be careful while accepting Clients of Special category: We should be careful while accepting clients of special category like NRIs, FNs, HNIs, Trust, Charities, NGOs, Politically Exposed Persons (PEP) persons of foreign origin, companies having closed

shareholding / ownership, companies dealing in foreign currency, shell companies, overseas entities, clients in high-risk countries, non-face to face clients, clients with dubious background. Current/Former Head of State, Current/Former senior high-profile politician, Companies offering foreign exchange, etc.) or clients from high-risk countries (like Libya, Pakistan, Afghanistan, etc.) or clients belonging to countries where corruption/fraud level is high (like Nigeria, Burma, etc.). Scrutinize minutely the records/documents pertaining to clients belonging to aforesaid category.

3. It should be to determine whether existing / potential customer is a PEP. Such procedures would include seeking additional information from clients, referring to publicly available information or accessing the commercial electronic database of PEPS. Further approval of senior management is required for establishment business relationships with PEP & to continue the business relationship with PEP.

General precautions:

1. Do not accept client registration forms which are suspected to be fictitious.
2. Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
3. Do not compromise on submission of mandatory information/documents.
4. Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines.
5. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.
6. Client of Special Category should be categorized as high risk client.
7. The Company/employees shall closely examine the transaction in order to ensure that they are consistent with Client business and risk profile.
8. Before opening of A/c, KYC Team should check/refer to the list provided at <http://www.un.org/sc/committees/1267/consolist.shtml> and <http://www.un.org/sc/committees/1988/list.shtml>). If in case, any similarities found from the list, same shall be informed to SEBI & FIU-IND.

B. Client Identification Procedure (CIP):

1. Based on materiality and risk, verification of beneficial owners or directors may not be taken for significant and well-established entities, companies listed on recognized Stock Exchanges, government departments or their agencies, government linked companies.
2. All responsible officers of RAJGUL SECURITIES PRIVATE LIMITED including Principal Officers, Compliance and risk officials shall have access to identification data and other relevant Customer Disclosure Document (CDD) information, transaction records etc.
3. The Customer Disclosure Documents (CDD) process should necessarily be revisited when there is suspicion of money laundering or financing of terrorism (ML / FT)
4. In case, if any customer does not establish the proper evidence of identity, the same must be informed to the SEBI & FIU-IND.

General precautions:

1. Do not accept client registration forms which are suspected to be fictitious.
2. Ensure that no account is being opened in a fictitious / benami name or on an anonymous basis.
3. Do not compromise on submission of mandatory information/documents.
4. Client's account should be opened only on receipt of mandatory information along with authentic supporting documents as per the regulatory guidelines.
5. Do not open the accounts where the client refuses to provide information/documents and we should have sufficient reason to reject the client towards this reluctance.
6. Client of Special Category should be categorized as high risk client.
7. The Company/employees shall closely examine the transaction in order to ensure that they are consistent with Client business and risk profile

Client Due Diligence (CDD)

14. Client Due Diligence means due diligence carried out on a client referred to in clause (ha) of sub-section (1) of section 2 of the PMLA using reliable and independent sources of identification.
15. The CDD shall have regard to the money laundering and terrorist financing risks and the size of the business and shall include policies, controls and procedures, approved by the senior management, to enable the reporting entity to manage

and mitigate the risk that have been identified either by the registered intermediary or through national risk assessment.

16. The CDD measures 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 reliable and independent 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. Identify the clients, verify their identity using reliable and independent sources of identification, obtain information on the purpose and intended nature of the business relationship, where applicable;
- iii. Verify the client's identity using reliable, independent source documents, data or information. Where the client purports to act on behalf of juridical person or individual or trust, the registered intermediary shall verify that any person purporting to act on behalf of such client is so authorized and verify the identity of that person;

Provided that in case of a Trust, the reporting entity shall ensure that trustees disclose their status at the time of commencement of an account based relationship.

iv. 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. The beneficial owner shall be determined as under-

a) **where the client is a company**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means.

Explanation: - For the purpose of this sub-clause: -

- i. "Controlling ownership interest" means ownership of or entitlement to more than ten per cent of shares or capital or profits of the company;
- ii. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders' agreements or voting agreements;

b) **where the client is a partnership firm**, the beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of/ entitlement to more than ten percent of capital or profits of the partnership or who exercises control through other means.

Explanation: - For the purpose of this clause: -

"Control" shall include the right to control the management or policy decision;

c) **where the client is an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen per cent. of the property or capital or profits of such association or body of individuals;

- d) where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;
- e) **Where the client is a trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with ten per cent or more interest in the trust, settlor, protector and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership; and
- f) where the client or the owner of the controlling interest is an entity listed on a stock exchange in India, or it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions notified by the Central Government, or it is a subsidiary of such listed entities, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.
- g) **Applicability for foreign investors:** Registered intermediaries dealing with foreign investors' may be guided by SEBI Master Circular SEBI/HO/AFD-2/CIR/P/2022/175 dated December 19, 2022 and amendments thereto, if any, for the purpose of identification of beneficial ownership of the client;
- h) The Stock Exchanges and Depositories shall monitor the compliance of the aforementioned provision on identification of beneficial ownership through half yearly internal audits. In case of mutual funds, compliance of the same shall be monitored by the Boards of the Asset Management Companies and the Trustees and in case of other registered intermediaries, by their Board of Directors.

- v. Verify 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);
- vi. Understand the nature of business, ownership and control structure of the client;
- vii. 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 client, its business and risk profile, taking into account, where necessary, the client's source of funds.
- viii. Registered intermediaries 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 there are doubts about the adequacy or veracity of previously obtained client identification data.
- ix. Registered intermediaries shall periodically update all documents, data or information of all clients and beneficial owners collected under the CDD process such that the information or data collected under client due diligence is kept up-to-date and relevant, particularly for high risk clients.
- x. Every registered intermediary shall register the details of a client, in case of client being a non-profit organization, on the DARPAN Portal of NITI Aayog, if not already registered, and maintain such registration records for a period of five years after the business relationship between a client and the registered intermediary has ended or the account has been closed, whichever is later.
- xi. Where registered intermediary is suspicious that transactions relate to money laundering or terrorist financing, and reasonably believes that performing the CDD process will tip-off the client, the registered intermediary shall not pursue the CDD process, and shall instead file a STR with FIU-IND.

17.No transaction or account-based relationship shall be undertaken without following the CDD procedure.

Policy for acceptance of clients

18.All registered intermediaries shall develop client acceptance policies and procedures that aim to identify the types of clients that are likely to pose a higher than average risk of ML or TF. By establishing such policies and procedures, they will be in a better position to apply client due diligence on a risk sensitive basis depending on the type of client business relationship or transaction. In a nutshell, the following safeguards are to be followed while accepting the clients:

- i. No registered intermediary shall allow the opening of or keep any anonymous account or account in fictitious names or account on behalf of other persons whose identity has not been disclosed or cannot be verified;
- 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. The registered intermediaries 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" (PEPs). PEP shall have the same meaning as given in clause (db) of sub-rule (1) of rule 2 of the PML Rules. The additional

norms applicable to PEP as contained in the subsequent paragraph 20 of the master circular shall also be applied to the accounts of the family members or close relatives / associates of PEPs;

- f) Clients in high risk countries. While dealing with clients from or situated 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 suspected, 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.fatf-gafi.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 situated in such high risk countries and geographic areas or delivery of services through such high risk countries or geographic areas. The intermediary shall specifically apply EDD measures, proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF;
- g) Non face to face clients - Non face to face clients means clients who open accounts without visiting the branches/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 the intermediary is unable to apply appropriate CDD measures. This shall apply in cases where it is not possible to ascertain the identity of the client, or the information provided to the intermediary is suspected to be non - genuine, or there is perceived non - co-operation of the client in providing full and complete information. The registered intermediary 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. The registered intermediary shall be cautious to ensure that it does not return securities or money that may be from suspicious trades. However, the registered intermediary 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 the intermediary, 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 ML/TF.

Client identification procedure

19. The KYC policy shall clearly spell out the client identification procedure (CIP) to be carried out at different stages i.e. while establishing the intermediary – client relationship, while carrying out transactions for the client or when the intermediary has doubts regarding the veracity or the adequacy of previously obtained client identification data.
20. Registered intermediaries shall be in compliance with the following requirements while putting in place a CIP:
- i. All registered intermediaries shall proactively put in place appropriate risk management systems to determine whether their 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.
 - ii. All registered intermediaries are required to obtain senior management approval 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, registered intermediaries shall obtain senior management approval to continue the business relationship.
 - iii. Registered intermediaries shall also take reasonable measures to verify the sources of funds as well as the wealth of clients and beneficial owners identified as PEP.
 - iv. The client shall be identified by the intermediary by using reliable sources including documents / information. The intermediary shall obtain adequate information to satisfactorily establish the identity 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 the intermediary 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 within the intermediary.

21. SEBI has specified the minimum requirements relating to KYC for certain classes of registered intermediaries from time to time. Taking into account the basic principles enshrined in the KYC norms which have already been specified or which may be specified by SEBI from time to time, all registered intermediaries shall frame their own internal directives based on their experience in dealing with their clients and legal requirements as per the established practices.
22. Further, the intermediary 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 intermediary is aware of the clients on whose behalf it is dealing.
23. Every intermediary 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 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.

It may be noted that irrespective of the amount of investment made by clients, no minimum threshold or exemption is available to registered intermediaries (brokers, depository participants, AMCs etc.) 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 registered intermediaries. This shall be strictly

implemented by all registered intermediaries and non-compliance shall attract appropriate sanctions.

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

24. Registered intermediaries 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.

25. 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. In terms of Rule 9(2) of PML Rules:

- i. The registered intermediary shall immediately obtain necessary information of such client due diligence carried out by the third party;
- ii. The registered intermediary shall take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;
- iii. The registered intermediary shall be satisfied that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;
- iv. The third party is not based in a country or jurisdiction assessed as high risk;
- v. The registered intermediary shall be ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

Risk Management

Risk-based Approach

26. Registered intermediaries shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have policies approved by their senior management, controls and procedures in this regard. Further, the registered intermediaries shall monitor the implementation of the controls and enhance them if necessary.

27. 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, the registered intermediaries shall apply each of the client due diligence measures on a risk sensitive basis. The basic principle enshrined in this approach is that the registered intermediaries 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 registered intermediaries shall obtain necessarily depend on the risk category of a particular client.

28. 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

29. Registered intermediaries 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.

30. 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.

31. The Stock Exchanges and registered intermediary shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and existing products. The Stock Exchanges and registered intermediaries shall ensure:

- a. To undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
- b. Adoption of a risk based approach to manage and mitigate the risks.

32. 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.

Monitoring of Transactions

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

34. The intermediary shall pay special attention to all complex unusually large transactions / patterns which appear to have no economic purpose. The intermediary 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/FIU-IND/ other relevant Authorities, during audit, inspection or as and when required.

35. The registered intermediaries 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.

36. The intermediary 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 within the intermediary.

37. Further, the compliance cell of the intermediary 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.

Suspicious Transaction Monitoring and Reporting

38. Registered Intermediaries 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, registered intermediaries shall be guided by the definition of a suspicious transaction contained in PML Rules as amended from time to time.

39. 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 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 based in high risk jurisdictions;
- iv Substantial increases in business without apparent cause;
- v Clients transferring large sums of money to or from overseas locations with instructions for payment in cash;
- vi Attempted transfer of investment proceeds to apparently unrelated third parties;
- vii Unusual transactions by CSCs and businesses undertaken by offshore banks/financial services.

40. Any suspicious transaction shall be immediately notified to the **Designated/Principal 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 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 terms of the PML 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:

1. Director, FIU-IND,
Financial Intelligence Unit-
India, 6th Floor, Tower-2,
Jeevan Bharati Building,
Connaught Place,
New Delhi-110001, INDIA.

Website: <http://fiuindia.gov.in>

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 Designated/ 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.

41. 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

registered intermediaries shall report all such attempted transactions in STRs, even if not completed by clients, irrespective of the amount of the transaction. Paragraph 18 (iii) (f) of this Circular 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'. Registered intermediaries are directed that 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.

Red Flag Indicators for AML-CTF - It is essential to be aware of suspicious activities. Red flag indications help companies detect and report suspicious activities easier. It helps the Money Laundering Reporting Officers (MLRO) to categorize suspicious activities and help them write Suspicious Activity Report (SAR) and report to the Financial Crimes Enforcement Network (FinCEN) if necessary. The Financial Action Task Force (FATF) also highlighted the importance of red flags.

Record Management

Information to be maintained

42. Registered Intermediaries are required to 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

43. Registered intermediaries shall ensure compliance with the record keeping requirements contained in the SEBI Act, 1992, Rules and Regulations made thereunder, PMLA as well as other relevant legislation, Rules, Regulations, Exchange Byelaws and Circulars.

44. Registered Intermediaries 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 behaviour. In case of any suspected 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, registered intermediaries 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
 - b. the form in which the funds were offered or withdrawn, e.g. cheques, demand drafts etc.
 - c. the identity of the person undertaking the transaction;
 - d. the destination of the funds;
 - e. the form of instruction and authority.

45. Registered Intermediaries shall ensure that all client and transaction records and information are available on a timely basis to the competent investigating authorities. Where required by the investigating authority, they shall retain certain records, e.g. client identification, account files, and business correspondence, for periods which may exceed those required under the SEBI Act, Rules and Regulations framed thereunder PMLA, other relevant legislations, Rules and Regulations or Exchange byelaws or circulars.

46. More specifically, all the registered intermediaries shall put in place a system of maintaining proper record of the nature and value of transactions which has been prescribed under Rule 3 of PML Rules as mentioned below:

- i. all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- ii. all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten

lakh rupees or its equivalent in foreign currency;

It may, however, be clarified that for the purpose of suspicious transactions reporting, apart from 'transactions integrally connected', 'transactions remotely connected or related' shall also be considered.

- iii. all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;
- iv. all suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into or from any non-monetary account such as demat account, security account maintained by the registered intermediary.

47. Where the registered entity does not have records of the identity of its existing clients, it shall obtain the records forthwith, failing which the registered intermediary shall close the account of the clients after giving due notice to the client.

Explanation: For this purpose, the expression "records of the identity of clients" shall include updated records of the identification date, account files and business correspondence and result of any analysis undertaken under Rules 3 and 9 of the PML Rules.

Retention of Records

48. Registered intermediaries shall 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 PML Rules have to be maintained and preserved for a period of five years from the date of transactions between the client and intermediary.

49. As stated in paragraph 19 and 20, registered intermediaries are required to formulate and implement the CIP containing the requirements as laid down in Rule 9 of the PML Rules and such other additional requirements that it considers appropriate. 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 five years after the business

relationship between a client and intermediary has ended or the account has been closed, whichever is later.

50. In situations where the records relate to on-going investigations or transactions which have been the subject of a suspicious transaction reporting, they shall be retained until it is confirmed that the case has been closed.
51. Registered Intermediaries shall maintain and preserve the records of information related to transactions, whether attempted or executed, which are reported to the Director, FIU – IND, as required under Rules 7 and 8 of the PML Rules, for a period of five years from the date of the transaction between the client and the intermediary.

Procedure for freezing of funds, financial assets or economic resources or related services

52. The Stock exchanges and the registered intermediaries shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) Act, 1967 (UAPA) and amendments thereto, they do not have any accounts in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC).
53. In order to ensure expeditious and effective implementation of the provisions of Section 51A of UAPA, Government of India has outlined a procedure through an order dated February 02, 2021 ([Annexure 1](#)) for strict compliance. These guidelines have been further amended vide a Gazette Notification dated June 08, 2021 ([Annexure 2](#)). Corrigendum's dated March 15, 2023 and April 22, 2024 have also been issued in this regard ([Annexure 3](#)) and ([Annexure 4](#)). The list of Nodal Officers for UAPA is available on the website of MHA.

Procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 – Directions to stock exchanges and registered intermediaries

54. The Government of India, Ministry of Finance has issued an order dated January 30, 2023 vide F. No. P-12011/14/2022-ES Cell-DOR ("the Order") detailing the procedure for implementation of Section 12A of the Weapons of

Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 ("WMD Act"). The Order may be accessed by clicking on [DoR Section 12A WMD.pdf](#).

55. In terms of Section 12A of the WMD Act, the Central Government is empowered as under:

"(2) For prevention of financing by any person of any activity which is prohibited under the WMD Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems, the Central Government shall have power to—

(a) Freeze, seize or attach funds or other financial assets or economic resources—

- (i) owned or controlled, wholly or jointly, directly or indirectly, by such person; or*
- (ii) held by or on behalf of, or at the direction of, such person; or*
- (iii) derived or generated from the funds or other assets owned or controlled, directly or indirectly, by such person;*

(b) prohibit any person from making funds, financial assets or economic resources or related services available for the benefit of persons related to any activity which is prohibited under the WMD Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems.

(3) The Central Government may exercise its powers under this section through any authority who has been assigned the power under sub-section (1) of section 7."

56. The stock exchanges and registered intermediaries are directed to comply with the procedure laid down in the said Order.

57. The stock exchanges and registered intermediaries shall:

- (i) Maintain the list of individuals/entities ("**Designated List**") and update

it, without delay, in terms of paragraph 2.1 of the Order;

- (ii) verify if the particulars of the entities/individual, party to the financial transactions, match with the particulars of the Designated List and in case of match, stock exchanges and registered intermediaries shall not carry out such transaction and shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Central Nodal Officer ("CNO"), without delay. The details of the CNO are as under:

The Director

FIU-INDIA

Tel.No.:011-23314458, 011-23314459 (FAX)

Email: dir@fiuindia.gov.in

- (iii) run a check, on the given parameters, at the time of establishing a relation with a client and on a periodic basis to verify whether individuals and entities in the Designated List are holding any funds, financial assets or economic resources or related services, in the form of bank accounts, stocks, insurance policies etc. In case, the clients' particulars match with the particulars of Designated List, stock exchanges and registered intermediaries shall immediately inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or insurance policies etc., held on their books to the CNO, without delay;
- (iv) send a copy of the communication, mentioned in paragraphs 59(ii) and 59(iii) above, without delay, to the Nodal Officer of SEBI. The communication shall be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the Nodal Officer of SEBI, Deputy General Manager, Division of FATF, Market Intermediaries Regulation and Supervision Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051;

- (v) prevent such individual/entity from conducting financial transactions, under intimation to the CNO, without delay, in case there are reasons to believe beyond doubt that funds or assets held by a client would fall under the purview of Section 12A (2)(a) or Section 12A(2)(b) of the WMDAct;
- (vi) file a Suspicious Transaction Report (STR) with the FIU-IND covering all transactions in the accounts, covered under paragraphs 59(ii) and (iii) above, carried through or attempted through.

58. Upon the receipt of the information above, the CNO would cause a verification to be conducted by the appropriate authorities to ensure that the individuals/entities identified are the ones in the Designated List and the funds, financial assets or economic resources or related services, reported are in respect of the designated individuals/entities. In case, the results of the verification indicate that the assets are owned by, or are held for the benefit of, the designated individuals/entities, an order to freeze these assets under section 12A would be issued by the CNO and be conveyed to the concerned reporting entity so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for the benefit of the designated individuals/entities.

List of Designated Individuals/ Entities

59. The Ministry of Home Affairs, in pursuance of Section 35(1) of UAPA 1967, declares the list of individuals/entities, from time to time, who are designated as 'Terrorists'. The registered intermediaries shall take note of such lists of designated individuals/terrorists, as and when communicated by SEBI.
60. All orders under section 35 (1) and 51A of UAPA relating to funds, financial assets or economic resources or related services, circulated by SEBI from time to time shall be taken note of for compliance.
61. An updated list of individuals and entities which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs) can be accessed at its

website at <https://press.un.org/en/content/press-release>. The details of the lists are as under:

- i. The "ISIL (Da'esh) & Al-Qaida Sanctions List", which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at: <https://www.un.org/securitycouncil/sanctions/1267/press-releases> ;
- ii. The list issued by United Security Council Resolutions 1718 of designated Individuals and Entities linked to Democratic People's Republic of Korea www.un.org/securitycouncil/sanctions/1718/press-releases.

62. Registered intermediaries are directed to ensure that accounts are not opened in the name of anyone whose name appears in said list. Registered intermediaries shall continuously scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list.

63. The Stock Exchanges and the registered intermediaries shall maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether the designated individuals/entities are holding any funds, financial assets or economic resources or related services held in the form of securities with them.

64. The Stock Exchanges and the registered intermediaries shall leverage latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements.

65. The Stock exchanges and the registered intermediaries shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions carried through or attempted in the accounts covered under the list of designated individuals/entities under Section 35 (1) and 51A of UAPA.

66. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to the Central [designated] Nodal Officer for the UAPA, at Fax No.011-23092551 and also conveyed over telephone No. 011-23092548. The particulars apart from being sent by post shall necessarily be conveyed on email id: jsctcr-mha@gov.in.

67. The Stock exchanges and the registered intermediaries shall also send a copy of the communication mentioned above to the UAPA Nodal Officer of the

State/UT where the account is held and to SEBI and FIU-IND, without delay. The communication shall be sent to SEBI through post and through email (sebi_uapa@sebi.gov.in) to the UAPA nodal officer of SEBI, Deputy General Manager, Division of FATF, Market Intermediaries Regulation and Supervision Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051. The consolidated list of UAPA Nodal Officers is available at the website of Government of India, Ministry of Home Affairs.

Jurisdictions that do not or insufficiently apply the FATF Recommendations

68. FATF Secretariat after conclusion of each of its plenary, releases public statements and places jurisdictions under increased monitoring to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing risks. In this regard, FATF Statements circulated by SEBI from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered by the registered intermediaries.
69. The registered intermediaries shall take into account the risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statements. However, it shall be noted that the regulated entities are not precluded from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statements.

Reporting to Financial Intelligence Unit-India

70. In terms of the PML Rules, registered 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, Tower-2, Jeevan Bharati Building,
Connaught Place, New Delhi-110001, INDIA
Telephone : 91-11-23314429, 23314459
91-11-23319793(Helpdesk)

Email: helpdesk@fiuindia.gov.in

(For FINnet and general queries)

ctrcell@fiuindia.gov.in

(For Reporting Entity / Principal Officer registration related queries)

complaints@fiuindia.gov.in

Website: <http://fiuindia.gov.in>

71. Registered intermediaries shall carefully go through all the reporting requirements (https://www.sebi.gov.in/sebi_data/commondocs/jun-2024/Brochures on FIU p.pdf) and formats that are available on the website of FIU – IND under the Section Home - FINNET 2.0 – User Manuals and Guides -Reporting Format (https://www.sebi.gov.in/sebi_data/commondocs/jun-2024/Reporting Format p.pdf). These documents contain detailed directives on the compilation and manner/procedure of submission of the reports to FIU-IND.

The related hardware and technical requirement for preparing reports, the related data files and data structures thereof are also detailed in these documents. While detailed instructions for filing all types of reports are given in the instructions part of the related formats, registered intermediaries shall adhere to the following:

- i. The Cash Transaction Report (CTR) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month;
- ii. The Suspicious Transaction Report (STR) shall 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 shall on being satisfied that the transaction is suspicious, furnish the information promptly in writing by fax or by electronic mail to the Director in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 of the PML Rules. The Principal Officer shall record his reasons for treating any transaction or a series of transactions as suspicious. It shall be ensured that there is no undue delay in arriving at such a conclusion;
- iii. The Non Profit Organization Transaction Reports (NTRs) for each shall be

submitted to FIU-IND by 15th of the succeeding month;

- iv. The Principal Officer will be responsible for timely submission of CTR, STR and NTR to FIU-IND;
- v. Utmost confidentiality shall be maintained in filing of CTR, STR and NTR to FIU-IND;
- vi. No NIL reporting needs to be made to FIU-IND in case there are no cash/suspicious/non-profit organization transactions to be reported;
- vii. “Non-profit organization” means any entity or organization, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), that is registered as a trust or a society under the Societies Registration Act, 1860 (21 of 1860) or any similar State legislation or a Company registered under the section 8 of the Companies Act, 2013 (18 of 2013);
- viii. Every registered intermediary, its Directors, officers and all employees shall ensure that the fact of maintenance referred to in Rule 3 of PML Rules and furnishing of information to the Director is kept confidential.

Provided that nothing in this rule shall inhibit sharing of information under Rule 3A of PML Rules of any analysis of transactions and activities which appear unusual, if any such analysis has been done.

72. Registered Intermediaries shall not put any restrictions on operations in the accounts where an STR has been made. Registered intermediaries and their directors, officers and employees (permanent and temporary) shall be prohibited from disclosing (“tipping off”) the fact that a STR or related information is being reported or provided to the FIU-IND. This prohibition on tipping off extends not only to the filing of the STR and/ or related information but even before, during and after the submission of an STR. Thus, it shall be ensured that there is no tipping off to the client at any level.

It is clarified that the registered intermediaries, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences specified in part B of Schedule of PMLA, 2002, shall file STR if they have reasonable grounds to believe that the transactions involve proceeds of crime.

It is further clarified that "proceeds of crime" include property not only derived or obtained from the scheduled offence but also any property which may directly or indirectly be derived or obtained as a result of any criminal activity relatable to the scheduled offence.

Confidentiality requirement does not inhibit information sharing among entities in the group.

Designation of officers for ensuring compliance with provisions of PMLA

73. Appointment of a Principal Officer: To ensure that the registered intermediaries 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 and shall have access to and be able to report to senior management at the next reporting level or the Board of Directors. Names, designation and addresses (including email addresses) of 'Principal Officer' including any changes therein shall also be intimated to the Office of the Director-FIU-IND. In terms of Rule 2 (f) of the PML Rules, the definition of a Principal Officer reads as under:

Principal Officer means an officer designated by a registered intermediary;

Provided that such officer shall be an officer at the management level.

We have designated Mr. Sanchit Bhala as the Principal Officer and intimated the FIU-IND vide letter dated 07-11-2024, thereby complying with the procedure of designating a sufficiently senior person as 'Principal Officer' as required under the Prevention of Money Laundering Act. The principal officer will promptly notify Financial Intelligence Unit (FIU) of any change to the details of our firm. The principal officer will also ensure maintenance of proper records and filing of records with FIU, whenever required.

74. Appointment of a Designated Director: In addition to the existing requirement of designation of a Principal Officer, the registered intermediaries shall also designate a person as a 'Designated Director'. In terms of Rule 2 (ba) of the PML Rules, the definition of a Designated Director reads as under:

“Designated director means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules and includes –

- a) the Managing Director or a Whole-Time Director duly authorized by the Board of Directors if the reporting entity is a company,
- b) the managing partner if the reporting entity is a partnership firm,
- c) the proprietor if the reporting entity is a proprietorship firm,
- d) the managing trustee if the reporting entity is a trust,
- e) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity if the reporting entity is an unincorporated association or a body of individuals, and
- f) such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above”.

Rajgul Securities Pvt Ltd. has appointed – Mr. Sunil Bhala as Designated Director.

75. In terms of Section 13 (2) of the PMLA, the Director, FIU – IND can take appropriate action, including levying monetary penalty, on the Designated Director for failure of the intermediary to comply with any of its AML/CFT obligations.

76. Registered intermediaries shall communicate the details of the Designated Director, such as, name designation and address to the Office of the Director, FIU – IND.

Hiring and Training of Employees and Investor Education

77. Hiring of Employees: The registered intermediaries shall have adequate screening procedures in place to ensure high standards when hiring employees. They shall 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.

78. Training of Employees: The registered intermediaries shall have an ongoing employee training program so that the members of the staff are adequately trained in AML and CFT procedures. Training requirements shall have specific focuses for frontline staff, back office staff, compliance staff, risk management staff and staff dealing with new clients. It is crucial that all those concerned fully understand the rationale behind these directives, obligations and requirements, implement them consistently and are sensitive to the risks of their systems being misused by unscrupulous elements.

Further, RAJGUL SECURITIES PRIVATE LIMITED ensures that:

- that any employee who commits RAJGUL SECURITIES PRIVATE LIMITED to a transaction has the necessary authority to do so;
- that employees are adequately trained in operating in the relevant areas they are assigned to and are aware of their own, and their organisation's responsibilities as well as the relevant statutory acts governing Rajgul Securities Pvt. Ltd.
- that staff engaged or employed in securities market in specified area of operations has obtained certification from National Institute of Securities Markets (NISM) by passing the relevant NISM Series for Depository Operations/Broking Activities/Compliance Officer. Further, in case of new engagement or employment any such associated person(s), shall ensure that such person obtains relevant NISM within one year from the date of his employment.
- that Compliance Officers shall obtain certification from the National Institute of Securities Markets by passing the NISM-Series-III A: Securities Intermediaries Compliance (Non-Fund) Certification Examination. Further, in case RAJGUL SECURITIES PRIVATE LIMITED engages or employs any such associated persons functioning as compliance officer, shall ensure that such person obtains certification by passing SICCE within one year from the date of his employment. Accordingly, RAJGUL SECURITIES PRIVATE LIMITED has appointed compliance officer who has obtained aforesaid certification.

79. Investor Education: Implementation of AML/CFT measures requires registered intermediaries 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 registered intermediaries to sensitize their clients about these requirements as the ones emanating from AML and CFT framework. Registered intermediaries shall prepare specific literature/pamphlets etc. so as to educate the client of the objectives of the AML/CFT program.

RAJGUL SECURITIES PVT LTD prepare and circulate specific literature/pamphlets etc. so as to educate the client of the objectives of the AML/CFT program. Further, following information on the website of RAJGUL SECURITIES PRIVATE LIMITED have been displayed in order to create awareness among Clients:

- "Prevent Unauthorized Transactions in your demat account --> Update your Mobile Number with your Depository Participant. Receive alerts on your Registered Mobile for all debit and other important transactions in your trading/demat account directly from Depository/stock exchange on the same dayissued in the interest of investors."
- "KYC is one time exercise while dealing in securities markets - once KYC is done through a SEBI registered intermediary (broker, DP, Mutual Fund etc.), you need not undergo the same process again when you approach another intermediary."
- "No need to issue cheques by investors while subscribing to IPO. Just write the bank account number and sign in the application form to authorize your bank to make payment in case of allotment. No worries for refund as the money remains in investor's account."

Investor Complaints & Redressal

Investor complaints such as non-issuance of DIS booklet, erroneous/fraudulent transfer, erroneous trade, trade without consent or any other type of complaint, are registered in the grievance register. The investor may complaint directly to Rajgul Securities Pvt Ltd. through physical mode at the correspondence address or electronic mode for which there is a dedicated email id .The grievance email id askus@rajgul.com is communicated to clients through bill cum transaction statement, statement of holding etc, or through www.rajgul.com The grievance id and other relevant details have been mentioned on display board.

The resolution of the complaint is done within prescribed time as per

regulatory authorities guidelines and confirmatory reply is sent through mail or in physical form. In case the complaint is received from regulatory authorities, the copy of the reply is sent to regulatory authorities within stipulated time period as per regulatory authorities' guidelines.

The timely resolution of the complaint is the responsibility of the compliance officer. The complaint register, MIS, Resolution and closure status is also put up to the Director/ Operation Head on monthly basis. A prescribed report for grievance Redressal is submitted to regulatory authorities.

Repeal and Savings

80. On and from the issue of this Circular, the circulars listed out in the Appendix to this Circular shall stand rescinded. Notwithstanding such rescission, anything done or any action taken or purported to have been done or taken, shall be deemed to have been done or taken under the corresponding provisions of this Master Circular.

Appendix

The following Circulars shall stand rescinded from the date of issuance of this Circular

1. **SEBI/HO/MIRSD/MIRSDSECFATF/P/CIR/2023/091 dated June 16, 2023** - Amendment to the Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money-laundering Act, 2002 and Rules framed there under.
2. **SEBI/HO/MIRSD/SEC-FATF/P/CIR/2023/0170 dated October 13, 2023** - Amendment to the Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money-laundering Act, 2002 and Rules framed there under.
3. **SEBI/HO/MIRSD/SEC-5/P/CIR/2023/062 dated April 26, 2023** - Procedure for implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 – Directions to stock exchanges and registered intermediaries.
4. **SEBI/HO/MIRSD/MIRSD-SEC-5/P/CIR/2023/022 dated February 03, 2023** – Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under.

Review of Policy

To be in compliance with PMLA obligations, the senior management shall be fully committed to establishing appropriate policies and procedures for the prevention of ML and TF and ensuring their effectiveness and compliance with all relevant legal and regulatory requirements. A statement of policies and procedures, on a group basis where applicable, for dealing with ML and TF reflecting the current statutory and regulatory requirements; to ensure that the content of these Directives are understood by all staff members; regularly review the policies and procedures on an annual basis on the prevention of ML and TF to ensure their effectiveness. Further, in order to ensure the effectiveness of policies and procedures, the person doing such a review shall be different from the one who has framed such policies and procedures; adopt client acceptance policies and procedures which are sensitive to the risk of ML and TF; undertake client due diligence ("CDD") measures to an extent that is sensitive to the risk of ML and TF depending on the type of client, business relationship or transaction; have a system in place for identifying, monitoring and reporting suspected ML or TF transactions to the law enforcement authorities; and develop staff members' awareness and vigilance to guard against ML and TF.

RISK ASSESSMENT OF CLIENT IN TERMS OF PMLA 2002

Type of Client (Please Tick)	Low Risk	Medium Risk	High Risk	PEP (Politically Exposed person)	CSC (Client of Special Category)

Risk rating would change only if there is change in risk perception by us.

For

Rajgul Securities Pvt Ltd.


Sunil Bhala
(Director)