

# Anti Money Laundering (AML) & Anti Terrorist Financing (ATF) Policy

## Overview

**Description:** In view of the Prevention of Money Laundering Act, 2002 (PMLA) which was brought into effect from 1<sup>st</sup> July 2005, this Policy is issued to comply with the provisions of PMLA and rules, regulations, guidelines issued thereunder.

**Purpose:** The purpose of this policy is to set internal rules and procedures for preventing and combating money laundering and terrorist financing and reporting suspected money laundering transactions.

**Failure to Comply:** Failure to comply with this Policy may result in disciplinary actions up to and including termination of employment for employees or termination of contracts with Sub Brokers, Authorised Person, volunteers, contractors, partners, consultants, and other entities. Legal actions also may be taken for violations of applicable regulations and laws.

## Policy

### A. Reporting of Certain Transactions

1. The following transactions shall be reported immediately to Principal Officer:
  - i. All cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
  - ii. All series of cash transactions integrally connected or transactions remotely connected or related to each other which have been valued below Rs 10 lakhs or its equivalent in foreign currency where such series of transactions take place within one calendar month.
  - iii. All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as d-mat account, security account maintained by us.

### B. Customer Identification & Verification

- 1 Verification of names of customers in updated list of individuals and entities subject to various sanction measures of UN Security Council Committee, other publicly available information and complying with Government order The Unlawful Activities (Prevention) Act, 1967 and verification of sources of funds of clients identified as Politically Exposed Persons (PEP).

2. Further at the time of opening a customer's account sufficient information should be obtained in order to identify and verify the persons who beneficially own or control securities account. Following documents shall be obtained from a customer for his identification
  - i. PAN
  - ii. Proof of Address – Voter Identity Card / Electricity Bill / Telephone Bill / Ration Card / Bank Statement.
  - iii. Bank Account details.
  - iv. Passport size photographs.
3. In case the customer is a person other than individual, all the requirements under 1 shall be complied with for the customer as well as for the person authorised to conduct transactions on behalf of the customer. In addition a copy of document defining constitution, eg. MOA & AOA in case of companies shall be obtained.
4. The documents obtained from the customer under B shall be properly verified.
5. Each original document must be seen before acceptance of a copy.
6. In-person verification of the customer shall be done by one of our staff.
7. No account shall be opened if the person has some criminal background or if he has been banned under some civil or criminal proceedings by any enforcement agency worldwide or if there is any suspicion regarding the same.
8. No account shall be opened in a fictitious / benami name or on an anonymous basis.
9. No account shall be opened in cases where:
  - i. It is not possible to ascertain the identity of the client
  - ii. information provided is suspected to be non genuine
  - iii. perceived non co-operation of the client in providing full and complete information and such cases shall immediately be reported to Principal Officer.

### **C. Customer Categorisation**

1. Following categorisation of the customers shall be done on the basis of number /value of transactions of the customer:

- i. High Risk Customers:
    - a) where the value of a single order exceeds Rs.50,00,000; or
    - b) where the funds received from a client in a month are more than 100% of his proportionate income for the month (based on the yearly income as mentioned by him at the time of registration).
  - ii. Medium Risk Customers:
    - a) where the value of a single order is between Rs.20,00,001 - Rs.50,00,000; or
    - b) where the funds received from a client in a month are between 80% - 99.99% of his proportionate income for the month (based on the yearly income as mentioned by him at the time of registration).
  - iii. Low Risk Customers:
    - a) where the value of a single order is between Rs.10,00,001 - Rs.20,00,000; or
    - b) where the funds received from a client in a month are between 60% - 79.99% of his proportionate income for the month (based on the yearly income as mentioned by him at the time of registration).
2. Reporting of all the above three categories shall be done to the Principal Officer.
  3. The Principal Office shall investigate the matter and take appropriate steps.

#### **D. Clients of Special Category (CSC)**

1. Such clients include the following:
  - i. Non resident clients
  - ii. High networth clients
  - iii. Trust, Charities, NGOs and organizations receiving donations
  - iv. Companies having close family shareholdings or beneficial ownership
  - v. Politically exposed persons (PEP) of foreign origin
  - vi. Current / Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such individuals have interest or significant influence)
  - vii. Companies offering foreign exchange offerings
  - viii. Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, Countries active in narcotics production, Countries where corruption (as

per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following – Havens / sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent.

- ix. Non face to face clients.
  - x. Clients with dubious reputation as per public information available etc.
2. The above list is illustrative and not exhaustive and it may include other clients also based on criticalness of their status..
  3. The identity of CSC and the purpose of intended nature of relationship shall be satisfactorily established by using reliable sources including documents / information.
  4. Each original document must be seen before acceptance of a copy.
  5. If a client has subsequently found to be or obtained the status of CSC, the approval of senior management shall be obtained to continue the business relationship with the client.
  6. The source of fund of CSC shall be properly verified.

#### **E. Transaction Identification**

1. The identity of beneficial owner of the customer and / or person on whose behalf a transaction is being conducted shall be verified.

#### **F. Transaction and Account Due Diligence**

1. Ongoing due diligence and scrutiny of the transactions and accounts shall be conducted throughout the course of business relationship with the customers to ensure that the transactions being conducted are consistent with our knowledge of the customer, its business and risk profile, taking into account, where necessary, the customer's source of funds.

#### **G. Transactions on behalf of other**

1. Under only following circumstances other person client may be authorised to conduct transactions on behalf of the client:
  - i. If he has registered Power of Attorney from the individual client (however the client must be consulted over phone before allowing such transactions).

- ii. If he is authorised as such by an entity through a board resolution.
  - iii. If he is authorised as such by any order of government.
2. Adequate verification shall be carried out of customer's authority to act on behalf of other person / entity.
3. The transaction limit in such cases shall be Rs.1,00,000 in a single order or Rs.20,00,000 for value of all transactions in a day. In case of transactions over such amount additional authority shall be required.

## **H. Record Keeping**

1. Records of client shall be maintained so as to allow reconstruction of individual transactions (including the amounts and types of currencies involved, if any). Following record shall be maintained:
  - i. the beneficial owner of the account
  - ii. the volume of the funds flowing through the account
  - iii. the origin of the funds
  - iv. the form in which the funds were offered or withdrawn, e.g. cash, cheques, etc.
  - v. the identity of the person undertaking the transaction
  - vi. the destination of the funds
  - vii. the form of instruction and authority
  - viii. transactions as specified under A above
  - ix. for transactions specified under A above following information shall also be maintained and preserved:
    - a) the nature of the transactions
    - b) the amount of the transaction and the currency in which it denominated
    - c) the date on which the transaction was conducted; and d) the parties to the transaction.
2. Such records shall be maintained for a period of 10 years from the date of cessation of the transactions with the client.

## **I. Monitoring of Transactions**

1. All complex, unusually large transactions / patterns which appear to have no economic purpose shall be immediately reported.

2. Any suspicious transaction shall be immediately reported. Following is an illustrative and not exhaustive list of circumstances which may be in the nature of suspicious transaction:

- i. Clients whose identity verification seems difficult or clients appears not to cooperate
  - ii. Asset management services for clients where the source of the funds is not clear or not in keeping with clients apparent standing /business activity
  - iii. Clients in high-risk jurisdictions or clients introduced by banks or affiliates or other clients based in high risk jurisdictions
  - iv. Substantial increases in business without apparent cause
  - v. Unusually large cash deposits made by an individual or business
  - vi. Clients transferring large sums of money to or from overseas locations with instructions for payment in cash.
  - vii. Transfer of investment proceeds to apparently unrelated third parties
  - viii. Unusual transactions by CSCs and businesses undertaken by shell corporations, offshore banks /financial services, businesses reported to be in the nature of export-import of small items
3. If some transaction is aborted / cancelled by the client on being asked to provide some documents / information, it shall be reported immediately.
4. While such reporting are done no tipping off shall be done i.e. the client shall not be informed of any such reporting made.
5. The transactions of a client shall not exceed the limits set for such client.

**J. Co-operation with law enforcement authorities and timely disclosure of information should be made.**

**K. Compliance with statutory and regulatory requirements and Reportings**

All the statutory and regulatory requirements as required above shall be complied with and in case of non-compliance all reporting shall be done to designated Principal Officer Compliance Officer, DSE Financial Services Limited, DSE Chambers, 3 & 4/4B, Asaf Ali Road, New Delhi - 110002; e-mail: [dse\\_financial@redifmail.com](mailto:dse_financial@redifmail.com).

**L. Duties of Principal Officer**

Principal Officer of the company shall at all times be responsible for:

- a. Monitoring the implementation of Anti Money Laundering Policy
- b. Reporting of transactions and sharing of information as required under the Law
- c. Liasoning with law enforcement agencies

d. Ensuring submission of periodical reports to Top Management. The monthly compliance report shall henceforth mention if any suspicious transactions are being looked into by the respective business groups and if any reporting is to be made to the authorities

e. Providing clarifications to staff members on the provisions of the Act, Rules, Guidelines and the policies of the company.

### **M. Rights & Powers of Principal Officer**

Principal Officer at all times possesses the powers and shall exercise its right to:

- a. access customer identification data and other CDD information
- b. report to Senior Management or the Board of Directors in case of any non-compliance observed by him
- c. investigate the matter of suspicious nature and take necessary steps or action as may be required for the same

### **N. Review of the Policy**

This Policy shall be reviewed from time to time to ensure the effectiveness of the same. The reviewed policy once circulated shall override the present policy.