

Anti Money Laundering Policy

The Government of India has serious concerns over money laundering activities which are not only illegal but anti-national as well. Money laundering is the process by which large amount of illegally obtained money (from drug trafficking, terrorist activity or other serious crimes) is given the appearance of having originated from a legitimate source. All crimes that produce a financial benefit give rise to money laundering.

SEBI had issued the guidelines on Anti Money Laundering Standards vide their Circular No. ISD/CIR/RR/AML/1/06 dated 18th January 2006, vide Circular No. ISD/CIR/RR/AML/2/06 dated 20th March 2006 and vide Circular No. CIR/MIRSD/1/2014 dated 12th March 2014 had issued the obligations of the intermediaries registered under section 12 of SEBI Act, 1992.

As per these SEBI guidelines, all intermediaries have been advised to ensure that proper policy frameworks are put in place as per the Guidelines on Anti Money Laundering Standards notified by SEBI.

As a market participant it is evident that strict and vigilant tracking of all transactions of suspicious nature required.

Accordingly the Company has laid down following policy guidelines:

Principal Officer:

Director of the company is appointed as the Principal Officer. He will be responsible for implementation of internal controls & procedures for identifying and reporting any suspicious transaction or activity to the concerned authorities. Principle officer has the right of timely access to customer identification data, other CDD information and is able to report the same to senior management or the board of directors.

Designated Director:

Mr. S.K. Dhancholia is appointed as the Designated Director of the company in terms of rule 2 (ba) of the PML rules.

He will be responsible for ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules.

In terms of section 13 (2) of PML Act (as amended by the Prevention of Money-laundering (Amendment) Act, 2012), the Director, FIU-IND can take appropriate action, including levying monetary penalty, on the designated director for failure of the intermediately to comply with any of its AML/CFT obligation.

Purpose & Scope:

As a Financial Market Intermediary (which includes a stock-broker, sub-broker and any other intermediary associated with securities market and registered under section 12 of the Securities and Exchange Board of India Act, 1992) we need to maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules under the PMLA. Accordingly all the back office and trading staff is instructed to observe the following safeguards:

- 1 No Cash transactions for trading in securities shall be allowed from any client in the normal course of business.
- 2 Maintain a record of all the transactions; the nature and value of which has been prescribed in the Rules notified under the PMLA. Such transactions include:
 - O Cash transactions of the value of more than Rs 10 lakhs or its equivalent in foreign currency.
 - O All series of cash transactions integrally connected 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.
 - O All transaction involving receipts by non-profit organisations of value more than rupees ten lakhs or its equivalent in foreign currency.
 - O All suspicious transactions whether or not made in cash and including, inter-alia, credits or debits into from any non monetary account such as Demat account, security account maintained by the registered intermediary.
- 3 Frequent off Market transfers from one BO account to another shall be scrutinized and asked for. In absence of valid reason case or found suspicious, it shall be brought to the notice of Principal Officer / Designated Director.
- 4 Trading beyond ones declared income: The turnover of the clients should be according to their declared means of income. Any abnormal increase in client's turnover shall be reported to Principal Officer / Designated Director. The Back Office staff should take due care in updating the clients' financial details and shall periodically review the same.

Policies & Procedures:

A) Client identification procedure:

The 'Know your Client' (KYC) Policy: -

a) While establishing the intermediary – client relationship

- No account shall be opened unless all the KYC Norms as prescribed from time to time by the SEBI / Exchanges are duly complied with, all the information as required to be filled in the KYC form (including financial information, occupation details and employment details) is actually filled in and the documentary evidence in support of the same is made available by the client. Moreover all the supporting documents should be verified with originals and client should sign the KYC & MCA in presence of our own staff and the client should be introduced by an existing clients or the known reference.
- The information provided by the client should be checked though independent source namely.
- Pan No must be verified from Income Tax We Site

- Address must be verified by sending Welcome Letter / Qtly Statement of Account, and in case any document returned undelivered the client should be asked to provide his new address proof before doing any further transaction.
- We must exercise additional due diligence in case of the **Clients of Special Category** which include but not limited to :-
 - i. Non resident clients
 - ii. High networth clients (i.e the clients having networth exceeding 1 Crore and doing the intra day trading volume of more than 5 Crore and daily delivery volume more than Rs 50 Lakhs)
 - 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 centres, 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.
 - xi. Such Other persons who as per our independent judgment may be classified as CSC.
- In case we have reasons to believe that any of our existing / potential customer is a politically exposed person (PEP) we must exercise due diligence, to ascertain weather the customer is a politically exposed person (PEP), which would include seeking additional information from clients and accessing publicly available information etc.
- The dealing staff must obtain senior management`s prior approval for establishing business relationships with Politically Exposed Persons. In case an existing customer is subsequently found to be, or subsequently becomes a PEP, dealing staff must obtain senior management`s approval to continue the business relationship.
- We must take reasonable measures to verify source of funds of clients identified as PEP.
- SEBI vide its circular CIR/MIRSD/2/2013 dated January 24, 2013 had issued guidelines on identification of beneficial ownership. SEBI master circular no. CIR/ISD/AML/3/2010 dated 31 December 2010 has mended all registered intermediaries to obtained, as a part of their client due diligence policy sufficient information from their clients in order to identify and verify the identity of the persons whom beneficially own or control the securities account .The beneficial owner has been defined in the circular as the natural person or persons who ultimately own, control or influence a client and/or persons on

whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a legal person or arrangement.

- Pursuant to the above provisions contained in SEBI circular dated Jan 24, 2013, we shall at the time of registering the client other than an individual or trust i.e. company partnership or unregistered associates, body individual shall identify the beneficial owners of the clients and reasonable measures to verify the identity of such person through the following information:
 - a. The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest. Explanation: Controlling ownership interest means ownership of/entitlement to:
 1. more than 25% of shares or capital or profits of the juridical person, where the juridical person is a company;
 2. more than 15% of the capital or profits of the juridical person, where the juridical person is a partnership; or
 3. More than 15% of the property or capital or profits of the juridical person, where the juridical person is an unincorporated association or body of individuals.
 - b. In cases where there exists doubt under clause (a) above as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means. Explanation: Control through other means can be exercised through voting rights, agreement, arrangements or in any other manner.
 - c. Where no natural person is identified under clauses (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official.
- For client which is a trust - Where the client is a trust, we identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership
- The client should be identified by using reliable sources including documents / information and we should obtain adequate information to satisfactorily establish the identity of each new client and the purpose of the intended nature of the relationship.
- The information should be adequate enough to satisfy competent authorities (regulatory / enforcement authorities) in respect of statutory and regulatory requirements in future that due diligence was observed by the intermediary in compliance with the Guidelines. Each original document should be seen prior to acceptance of a copy.

- Failure by prospective client to provide satisfactory evidence of identity should be noted and reported to the higher authority.
- While accepting a client the underlying objective should be to follow the requirements enshrined in the PML Act, 2002 SEBI Act, 1992 and Regulations, directives and circulars issued there under so that we are aware of the clients on whose behalf we are dealing.
- Reliance on third party for carrying out Client Due Diligence (CDD)
 - i. We may rely on the third party for the purpose of
 - (a) Identification and verification of the identity of a client and
 - (b) Determination of whether the client is acting on behalf of 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 and CDD and record – keeping requirements in line with the obligation under the PML act.
 - ii. Such reliance shall be subject to the condition that are specified in Rule 9(2) of the PML Rules and shall be in accordance with the regulations and circulars / guidelines issued by SEBI from time to time. Further, we must take accept the ultimately responsible for CDD and undertaking enhanced due diligence measures, as applicable.

b) While carrying out transactions for the client

- RMS department should monitor the trading activity of the client and exercise due diligence to ensure that the trading activity of the client is not disproportionate to the financial status and the track record of the client.
- Payments department should ensure that payment received from the client is being received in time and through the bank account the details of which are given by the client in KYC form and the payment through cash / bearer demand drafts should not be entertained.

B) Policy for acceptance of clients:

The following safeguards are to be followed while accepting the clients:

- a) No account is opened in a fictitious / benami name or on an anonymous basis. To ensure this we must insist the client to fill up all the necessary details in the KYC form in our presence and obtain all the necessary documentary evidence in support of the information filled in KYC. We must verify all the documents submitted in support of information filled in the KYC form with the originals and in-person verification should be done by our own staff. Moreover new client should either be introduced by an existing customer or by the senior official of the company. In case we have any doubt that in-complete / fictitious information is submitted by the client, we must ask for such additional information so as to satisfy ourselves about the genuineness of the client and the information of the client before accepting his registration. We have maintained a updated list of individuals / entities which are

subject to various sanctions / measures pursuant to United Nations Security Council Resolutions (UNSCR), available from the URL http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml which are subject to various sanction measures such as freezing of assets/accounts, denial of financial services etc and verify the names of customers in such list of individuals and entities subject to various sanction measures of UN Security council Committee, other publicly available information and complying with Government order UAPA.

- b) Risk perception of the client need to defined having regard to:
1. Client's location (registered office address, correspondence addresses and other addresses if applicable);
 2. Nature of business activity, trading turnover etc., and
 3. Manner of making payment for transaction undertaking.

The parameter of clients into **low, medium and high risk** should be classified. Clients of special category (as given above) may be classified as higher risk and higher degree of due diligence and regular update of KYC profile should be preformed.

Acceptance of clients through Risk – Based Approach

The clients may be higher of lower risk category depending on circumstances such as the customer's background, type of business relationship or transaction etc. We should apply each of the clients due diligence measures on a risk sensitive basis. Based on the client categorisation, we should adopt an enhanced customer due diligence process for higher risk categories of customers. Conversely, a simplified customer due diligence process may be adopted for lower risk categories of customer. In line with the risk based approach, we should obtain type and amount of identification information and additional documents necessarily depend on the risk category of a particular customer. Further low risk provision should not apply when there are suspicious of Money laundering / financing of terrorism or when other factors give rise to a belief that the customer does not in fact pose a low risk.

- c) Ensure that no account is opened where we unable to apply appropriate clients due diligence measures / KYC policies. This shall be applicable in cases where it is not possible to ascertain the identity of the client or information provided by the client is suspected to be non genuine or perceived non co-operation of the client in providing full and complete information. We should not continue to do business with such a person and file a suspicious activity report. *We should also evaluate whether there is suspicious trading in the account and whether there is a need to freeze or close the account.*
- d) The client account should be scrutinized regularly for determining nature of transaction taken place. *In case of any suspicious transaction arisen, the account should be freezed or securities / money should not be delivered to client.* The suspicious transaction shall be reported to the FIU as well as respective exchanges or depository where transactions have taken place.

- e) We have also evaluated whether there is suspicious trading in determining whether to freeze or close the account. Should be cautious to ensure that it does not return securities or money that may be from suspicious trades. However we can consult the relevant authorities in determining what action it should take when it suspects suspicious trading.
- f) Verify identity while carrying out:
 - Transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appears to be connected, or
 - Any international money transfer operation
- g) Risk Assessment
 - We shall carry out risk assessment to identify, assess and take effective measures to mitigate any money laundering and terrorist financing risk with respect to its clients, countries or geographical areas, nature and volume of transactions, payment methods used by clients, etc. The risk assessment shall also take into account any country specific information that is circulated by the Government of India and SEBI from time to time, as well as, the updated list of individuals and entities who are subjected to sanction measures as required under the various United Nations' Security Council Resolutions (these can be accessed at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml and <http://www.un.org/sc/committees/1988/list.shtml>).
 - 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.

C) Policy for Recruitment of personnel

The HR Department is instructed to cross check all the references and should take adequate safeguards to establish the authenticity and genuineness of the persons before recruiting. The department should obtain the following documents:

- 1 Photographs
- 2 Proof of address
- 3 Identity proof
- 4 Proof of Educational Qualification
- 5 References

D) Procedure of freezing of funds , financial assets or economic resources or related services :-

Section 51A, of the Unlawful Activities (Prevention) Act, 1967 (UAPA), relating to the purpose of prevention of, and for coping with terrorist activities was brought into effect through UAPA Amendment Act, 2008. In this regard, the Central Government has issued an Order dated August 27, 2009 detailing the procedure for the implementation of Section 51A

of the UAPA. Under the aforementioned Section, the Central Government is empowered to freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of, or at the direction of the individuals or entities listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism. The Government is also further empowered to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The obligations to be followed by intermediaries to ensure the effective and expeditious implementation of said Order has been issued vide SEBI Circular ref. no: ISD/AML/CIR-2/2009 dated October 23, 2009, which needs to be complied with scrupulously.

We update the SEBI debarred entity or ban entity or person on regular base (as and when received) & also check from our existing client list. If we found them in the existing client list then we immediately deactivate the account.

E) Records keeping requirements:

Company will maintain and preserve the Records and Information pertaining to transaction of clients /staff details collected for recruitment/Identity of clients and beneficial owners/monitoring of transaction shall be kept safely. Further company has a policy to retain all records/information relating to PMLA provision for **at least a period of 5 years** as per following: (As per SEBI Circular No CIR/MIRSD/1/2014 dated March 12, 2014)

- I. Maintenance of records pertaining to transaction of Clients
- II. Maintenance of records pertaining to identity of Clients (Records evidencing the identity of our clients and beneficial owners as well as account files and business correspondence shall be maintained and preserved for at least a period of five years after the business relationship with clients has ended or the account has been closed, whichever is later.)
- III. Maintain and preserve the record of documents evidencing the identity of clients and beneficial owners (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents)
- IV. Maintain and preserve the transaction between the client and intermediary.

We have also retained the statutory and regulatory compliance relating records and cooperate with law enforcement authorities with timely disclosure of information.

F) *Monitoring of Transaction:*

Regular monitoring of transaction is vital for ensuring effectiveness of the AML procedures:

- Special attention to all complex, unusually large transactions / patterns which appear to have no economic purpose.
- 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.
- Such findings, records and related documents made available to auditors and also to SEBI/Stock Exchanges/FIU-IND/other relevant Authorities, during audit, inspection or as and when required.
- We randomly examine a selection of transaction undertaken by clients to comment on their nature i.e. whether they are in the nature of suspicious transaction or not.

G) *Suspicious Transaction Monitoring & Reporting:*

We analyze the suspicious transactions on routine basis:

- Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- Appears to be made in circumstance of unusual or unjustified complexity; or
- Appears to have no economic rationale or bona fide purpose

H) *Records of information reported to the Director, Financial Intelligence Unit - India (FIU-IND):*

Company will maintain and preserve the record of information related to transactions, whether attempted or executed, which are reported to the Director, FIU-IND, as required under Rules 7 & 8 of the PML Rules, for a period of five years from the date of the transaction between the client and us.

I) *Employees' Training*

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

J) *Investors Education*

Implementation of AML/CFT measures requires back office and trading staff to demand certain information from investors which may be of personal nature or which have hitherto never been called for. Such information can include documents evidencing source of funds/income tax

returns/bank records etc. This can sometimes lead to raising of questions by the customer with regard to the motive and purpose of collecting such information. There is, therefore, a need for the back office and trading staff to sensitize their customers about these requirements as the ones emanating from AML and CFT framework. The back office and trading staff should prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the AML/CFT programme.

K) Reporting to FIU

As per our observations if any transaction of suspicious nature is identified it must be brought to the notice of the Principal Officer / Designated Director who will submit Suspicious Transaction Reporting (STR) to the FIU if required.

Above said policies reviewed by us on regular basis by our senior officials (other than the official who originally drafted the policy, at least once in a period of 3 months) and keep it updated as per the various amendments in the PMLA rules. Such policy is last reviewed in dated 30th March, 2015.

For R K Global Shares & Securities Limited

SD/