

# Anti Money Laundering Policy

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## OVERVIEW

**DESCRIPTION:** In view of the Prevention of Money Laundering Act, 2002 (PMLA) which was brought into effect from 1st 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 FRAMEWORK:** The Member has appointed a principal officer as prescribed under the provisions of the PMLA and intimated the details of the Principal Officer to the Office of the Director FIU.

**IMPLEMENTATION OF THIS POLICY:** The main aspect of this policy is the Customer Due Diligence (CDD) process which means:

- Obtaining sufficient information about the client in order to identify— who is the actual beneficial owner of the securities or on whose behalf transaction is conducted
- Verify the customer's identity using reliable, independent source— document, data or information.
- Conduct on-going due diligence and scrutiny of the account/client to ensure that the transaction conducted are consistent with the client's background/ financial status, its activities and risk profile.

### A. CLIENT DUE DILIGENCE

The CDD measures comprise the following:

(a) **Obtaining Antecedent information:** Before registering client, obtain information person(s) who beneficially own or control the securities account is determined. Whenever it is apparent that the securities acquired or maintained through an account are beneficially owned by a party other than the client, that party shall be identified using client identification and verification procedures. For this purpose the “**beneficial owner**” is a 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.(Annexure -1)

(b) ***Categorization of Client:*** The parameters of risk perception in terms of the nature of business activity ,location of customer and his clients, mode of payments, volume of turnover, social and financial status etc shall be captured at the account opening stage to enable categorization of customer which would fall into low ,medium and high risk categories (Annexure 2) .For the purpose of risk categorization , individuals/entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile shall be categorized as low risk. Customer those are likely to pose higher than average risk shall be categorized as medium or high risk. Customer Due Diligence measures shall be applied based on risk assessment, thereby requiring intensive “due diligence” for higher risk customers, especially those for whom the sources of funds are not clear.

(c) ***Accept client on whom appropriate KYC procedure can be applied:*** It should be ensured that the initial forms taken by the clients are filled in completely. All photocopies submitted are accepted only after comparing the copy of officially valid document so produced by the client with the original and recording the same on the copy by the authorized officer without any exception. At the time of receipt of the Aadhaar number under provisions of this rule, shall carry out authentication using either e-KYC authentication facility or Yes/No authentication facility provided by Unique Identification Authority of India and all other supporting documents as specified by Securities and Exchange Board of India (SEBI) and Exchanges should be obtained. The Account Opening Team shall open the Client Account after verifying information collected registration form along with other supporting documents. All new accounts shall be reviewed against negative lists issued by the SEBI/FMC, Exchanges and other list such as OFAC, UN sanction lists etc.

(d) ***Non Acceptance of Client Registration Form which are suspected to be fictitious or with criminal background:*** Ensure that no account is being opened in a fictitious / benami name or on any anonymous basis. Necessary check shall also be conducted to ensure that the identity of customer does not match with any person with known criminal background.

(e) ***Conduct ongoing due diligence and scrutiny:*** We shall conduct periodic due diligence and scrutiny of the client’s transactions and account to ensure that the transactions being conducted are consistent with the in organization’s knowledge of the Client, its business and risk profile, taking into account, where necessary, the client’s source of funds.

## **B. CLIENT IDENTIFICATION PROCEDURE**

Customer Identification Procedure means verifying the identity of customer by using reliable, independent source documents, data or information. DSSL needs to obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of intended nature of relationship. DSSL must also be able to satisfy the regulators that the due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place.

DSSL shall have in place a comprehensive Customer Identification Procedure which details the various documents the organization can take as Identity, Address Proof for various types of Customers (refer Annexure 3). The Customer Identification Procedure document shall be updated with approvals from Compliance, and Business Groups with subsequent ratification by Board of Directors.

DSSL may ask for periodical updation of Customer Identification and other data after the account is opened.

DSSL may also rely on a 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 a beneficial owner, identification of the beneficial owner and verification of the identity of the beneficial owner.
  - i. 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.
  - ii. 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.

**MONITORING OF TRANSACTION:** Ongoing due diligence and scrutiny of the transactions and accounts is essential element of effective KYC procedures. DSSL can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. The review shall be done on following basis:

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.

#### **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.

**RECORD KEEPING :** DSSL shall take steps to ensure 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 shall be maintained and preserved for such number of years as prescribed from the date of transactions between the DSSL and the Client.

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 **5-10 years** from the date of cessation of the transactions with the client.

As per SEBI circular SEBI/HO/MRD2/DDAP/CIR/P/2020/153 AND CDSL Circular CDS./OPS/DP/POLCY/2020/389 "Records shall be maintained for a period of **8 years** from the date of cessation of the transactions with the client."

**RECORD GENERATION, MAINTENANCE AND RETENTION:** For the purpose of record keeping, we should ensure compliance with the record keeping requirements contained in the SEBI Act,1992, Rules and Regulations made there under, PML Act 2002 as well as other relevant legislation ,Rules, Regulations, Exchange Bye Laws and Circulars.

Thus the following document retention terms shall be observed:

- (a) All necessary records on transactions, both domestic and international, shall be maintained at least for the minimum period prescribed under the relevant Act and Rules (PMLA and rules framed thereunder as well SEBI Act) and other legislations, Regulations or exchange bye-laws or circulars.
- (b) Records on client identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence shall also be kept for the same period.
- (c) Records of the all trading details of the client needs to be stored for such number of years as would be required under the PMLA 20002 and rules made thereunder
- (d) Records shall be maintained in hard & soft copies

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.

Should there be any suspected drug related or other laundered money or terrorist property, the competent investigating authorities would need to trace through the audit trail for reconstructing a financial profile of the suspect account. To enable this reconstruction, DSSL should retain the following information for the accounts of the clients in order to maintain a satisfactory audit trail:

- a. the beneficial owner of the account;
- b. the volume of the funds flowing through the account; and
- c. for selected transactions:
  - the origin of the funds;
  - the form in which the funds were offered or withdrawn, e.g. cash, cheques, etc.;
  - the identity of the person undertaking the transaction;
  - the destination of the funds;
  - the form of instruction and authority.

Organization should ensure that all client and transaction records and information are made available on a timely basis to the competent investigating authorities.

#### **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.

#### **REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA**

In terms of the PML Rules, DSSL shall report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

**Director, FIU-IND,  
Financial Intelligence Unit-India,  
6th Floor, Hotel Samrat,**



**Chanakyapuri,  
New Delhi-110021.  
Website: <http://fiuindia.gov.in>**

- (a) The Cash Transaction Report (**CTR**) (wherever applicable) for each month shall be submitted to FIU-IND by 15th of the succeeding month.
- (b) 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 record his reasons for treating any transaction or a series of transactions as suspicious.

## **EMPLOYEES' HIRING/EMPLOYEE'S TRAINING/ INVESTOR EDUCATION**

### **HIRING OF EMPLOYEES**

It is necessary to have an adequate screening mechanism in place to ensure high standards when hiring employees. They shall identify the key positions within the organization 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.

### **EMPLOYEES' TRAINING**

DSSL shall have an ongoing employee training programme so that the members of the staff are adequately trained in KYC/AML procedures and fully understand the rationale behind these directives, obligations and requirements, implement them consistently.

### **INVESTORS EDUCATION**

Implementation of AML/KYC procedure requires organization 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 Principal Officer to sensitize their clients about these requirements as the ones and benefits of adhering to the KYC guidelines and seek co-operation from the customer.

### **LIST OF DESIGNATED INDIVIDUAL/ENTITIES**

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 <http://www.un.org/sc/committees/1267/consolist.shtml>. 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. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall immediately be intimated to SEBI and FIU-IND.

#### **PROCEDURE FOR 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.

We shall ensure effective and expeditious implementation of the procedure laid down in the UAPA Order dated August 27, 2009 as listed below:

- a) On receipt of the updated list of individuals/ entities subject to UN sanction measures (hereinafter referred to as 'list of designated individuals/ entities) from the Ministry of External Affairs (MHA) and forwarded by SEBI. DSSL shall take following steps:
  - i. Shall maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order (referred to as designated individuals/entities) are holding any funds, financial assets or economic resources or related services held in the form of securities with them.
  - ii. In the event, particulars of any of customer/s match the particulars of designated individuals/entities, DSSL shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of securities, held by such customer on our books to the Joint Secretary (IS.I), Ministry of Home Affairs, over telephone on 011-23092392. The particulars apart from being sent by post should necessarily be conveyed through e-mail at [jscpg-mha@nic.in](mailto:jscpg-mha@nic.in).
  - iii. We shall send the particulars of the communication mentioned in (ii) above through post/fax and through e-mail ([sebi\\_uapa@sebi.gov.in](mailto:sebi_uapa@sebi.gov.in)) to the UAPA nodal officer of SEBI, Officer on Special Duty, Integrated Surveillance Department, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra

- (E), Mumbai 400 051 as well as the UAPA nodal officer of the state/UT where the account is held, as the case may be, and to FIU-IND.
- iv. In case the aforementioned details of any of the customers match the particulars of designated individuals/entities beyond doubt, stock exchanges, depositories and registered intermediaries would prevent designated persons from conducting financial transactions, under intimation to Joint Secretary (IS.I), Ministry of Home Affairs, over telephone on 011-23092392. The particulars apart from being sent by post should necessarily be conveyed through e-mail at [jscpg-mha@nic.in](mailto:jscpg-mha@nic.in).
- v. DSSL shall also file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered in above paragraph carried through or attempted, as per the prescribed format.

b) On receipt of the particulars as mentioned in paragraph above, IS-I Division of MHA would cause a verification to be conducted by the State Police and /or the Central Agencies so as to ensure that the individuals/ entities identified by DSSL are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by DSSL are held by the designated individuals/entities. This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

c) In case, the results of the verification indicate that the properties are owned by or held for the benefit of the designated individuals/entities, an order to freeze these assets under section 51A of the UAPA would be issued within 24 hours of such verification and conveyed electronically to the concerned depository under intimation to SEBI and FIU-IND. The order shall take place without prior notice to the designated individuals/entities.

#### **Implementation of requests received from foreign countries under U.N. Securities Council Resolution 1373 of 2001.**

U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities.

To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA nodal officer for IS-I Division for freezing of funds or other assets. iii. The UAPA nodal officer of IS-I Division of MHA, shall cause the request to be examined, within five working days so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and

upon his satisfaction, request would be electronically forwarded to the nodal officer in SEBI. The proposed designee, as mentioned above would be treated as designated individuals/entities.

Upon receipt of the requests from the UAPA nodal officer of IS-I Division, the list would be forwarded to DSSL and the procedure as enumerated at paragraphs above shall be followed. The freezing orders shall take place without prior notice to the designated persons involved.

**Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person**

Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, shall move an application giving the requisite evidence, in writing, to DSSL. DSSL shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the nodal officer of IS-I Division of MHA as per the contact details given in paragraph 5(ii) above within two working days. The Joint Secretary (IS-I), MHA, being the nodal officer for (IS-I) Division of MHA, shall cause such verification as may be required on the basis of the evidence furnished by the individual/entity and if he is satisfied, he shall pass an order, within fifteen working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant under intimation to the concerned stock exchanges, depositories and DSSL. However, if it is not possible for any reason to pass an order unfreezing the assets within fifteen working days, the nodal officer of IS-I Division shall inform the applicant.

**Communication of Orders under section 51A of Unlawful Activities (Prevention) Act**

All Orders under section 51A of the UAPA relating to funds, financial assets or economic resources or related services, would be communicated to stock exchanges, depositories and DSSL through SEBI.

**DESIGNATED PRINCIPAL OFFICER**

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 Mrs. Sangeeta Gupta and Compliance Officer Mr. Surender Singh (Trading) and Mrs. Alpana Tripathi (Depository) , Delstox Stocks and Shares Limited, DSE House, 3/1, Asaf Ali Road, New Delhi - 110002; e-mail: dse\_financial@yahoo.co.in.

**ABOUT THE POLICY MAKER/VERIFIER/DESIGNATED DIRECTOR**

The policy has been made in accordance with SEBI/HO/MIRSD/DOP/CIR/P/2013/113 dated October 15,2019 by the Company Secretary of Delstox Stocks and Shares Limited and was approved in the Board meeting held on August 26,2020.

#### **REVIEW OF THE POLICY**

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

**IDENTIFICATION OF BENEFICIAL OWNERSHIP OF ACCOUNTS:**

SEBI has come up with a Circular No. CIR/MIRSD/2/2013 dated January 24, 2013, wherein it has mandated all registered intermediaries to obtain, as part of their Client Due Diligence policy, sufficient information from their clients in order to identify and verify the identity of persons who beneficially owns or controls the accounts opened with the respective intermediaries.

Accordingly, the Company shall comply with the following guidelines.

**I. For clients other than individuals or trusts:**

Where the client is a person other than an individual or trust, viz., company, partnership or unincorporated association/body of individuals, the intermediary shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, 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:

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

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

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.

**II. For client which is a trust:**

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

**III. Exemption in case of listed companies:**

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

**IV. Applicability for foreign investors:**

Intermediaries dealing with foreign investors' viz., Foreign Institutional Investors, Sub Accounts and Qualified Foreign Investors, may be guided by the clarifications issued vide SEBI circular CIR/MIRSD/11/2012 dated September 5, 2012, for the purpose of identification of beneficial ownership of the client.

**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.

### **Annexure 2**

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.

### **Annexure 3**

#### **INSTRUCTIONS/CHECK LIST FOR FILLING KYC FORM**

##### **A. IMPORTANT POINTS:**



1. Self attested copy of Aadhar and PAN card or Form 60 as defined in Income-tax Rules, 1962 is mandatory for all new as well as existing clients, including Promoters/Partners/Karta/Trustees and whole time directors and persons authorized to deal in securities on behalf of company/firm/others. issued to managers, officers or employees holding an attorney to transact on the company's behalf or where an Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar and in case Permanent Account Number is not submitted an officially valid document shall be submitted. Provided that for the purpose of this clause if the managers, officers or employees holding an attorney to transact on the company's behalf are not eligible to be enrolled for Aadhaar number and do not submit the Permanent Account Number, certified copy of an officially valid document shall be submitted. In case the client fails to submit the Aadhaar number and Permanent Account Number within six months period, the said account shall cease to be operational till the time the Aadhaar number and Permanent Account Number is submitted by the client.

Permanent Account Number must be seeded with Aadhaar. In case PAN is not seeded with AADHAAR before the date specified by the Government, it will not be considered as a valid PAN.

2. Copies of all the documents submitted by the applicant should be self-attested and accompanied by originals for verification. In case the original of any document is not produced for verification, then the copies should be properly attested by entities authorized for attesting the documents, as per the below mentioned list.
3. If any proof of identity or address is in a foreign language, then translation into English is required.
4. Name & address of the applicant mentioned on the KYC form, should match with the documentary proof submitted.
5. If correspondence & permanent address are different, then proofs for both have to be submitted.
6. A Valid mobile number and Valid email-id must be provided by the client.

The mobile no. and email address must be separate, for all Beneficial Owner/ Client/ account holders. However, after submitting a written declaration, BO can update mobile number and email address of its family members.

Family for this purpose has been defined as self, spouse, dependent parents and dependent children

Following cannot be considered as valid mobile number:

1. In respect of mobile numbers for India, Mobile no. is of 10 digit but starts with any number between 1 to 5 i.e. (1,2,3,4 & 5)
2. '0000000000' / '1234567890' is captured. - Single number is appearing in all 10 digit such as

'1111111111', '2222222222', 3333333333,4444444444,5555555555,6666666666,7777777777,  
,8888888888,9999999999.

f. Following cannot be considered as valid email ID: - Noemail' is mentioned in email ID. - '@' is not mentioned in email ID.

- If words - 'notprovided' and 'xyz' are mentioned in email id field.

- Invalid email domain is mentioned. E.g. number digits are mentioned prior to domain name viz. 202Ggmail.com, 1234gmail.com, 1rediffmail.com, 55yahoo.com etc.

- There is '.' (dot) at the end of Email ID

- There is no '.' (dot) after '@' and before text - More than one '@' are there in email ID.

7. Sole proprietor must make the application in his individual name & capacity.
8. For non-residents and foreign nationals, (allowed to trade subject to RBI and FEMA guidelines), copy of passport/PIO Card/OCI Card and overseas address proof is mandatory. In case, the officially valid document presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.
9. For foreign entities, CIN is optional; and in the absence of DIN no. for the directors, their passport copy should be given.
10. In case of Merchant Navy NRI's, Mariner's declaration or certified copy of CDC (Continuous Discharge Certificate) is to be submitted.
11. For opening an account with Depository participant or Mutual Fund, for a minor, photocopy of the School Leaving Certificate/Mark sheet issued by Higher Secondary Board/Passport of Minor/Birth Certificate must be provided.
12. Politically Exposed Persons (PEP) are defined as individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior Government/judicial/ military officers, senior executives of state owned corporations, important political party officials, etc.
13. For Individuals and Entities a self certification and documentation with respect to FATCA and CRS has to be submitted.

In case the client referred to in sub-rules (4) to (9) of rule 9 is not a resident or is a resident in the States of Jammu and Kashmir, Assam or Maghalaya and does not submit the Permanent Account Number, the client shall submit to the reporting entity one certified copy of officially valid document containing details of his identity and address, one recent photograph and such other document including in respect of the nature of business and financial status of the client as may be required

by the reporting entity.

### **B. Proof of Identity (POI):**

List of documents admissible as Proof of Identity:

1. Unique Identification Number (UID) (Aadhaar)/ Passport/ Voter ID card/ Driving license.
2. PAN card with photograph. Permanent Account Number must be seeded with Aadhaar. In case PAN is not seeded with AADHAAR before the date specified by the Government, it will not be considered as a valid PAN.
3. Identity card/ document with applicant's Photo, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities, Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members; and Credit cards/Debit cards issued by Banks.

### **C. Proof of Address (POA):**

List of documents admissible as Proof of Address: (\*Documents having an expiry date should be valid on the date of submission.)

1. Passport/ Voters Identity Card/ Ration Card/ Registered Lease or Sale Agreement of Residence/ Driving License/ Flat Maintenance bill/ Insurance Copy.
2. Utility bills like Telephone Bill (landline and postpaid mobile only), Electricity bill or Gas bill - Not more than 2 months old.
3. Bank Account Statement/Passbook -- Not more than 2 months old. KYC/AML Policy.
4. Self-declaration by High Court and Supreme Court judges, giving the new address in respect of their own accounts.
5. Proof of address issued by any of the following: Bank Managers of Scheduled Commercial Banks/Scheduled Co-Operative Bank/Multinational Foreign Banks/Gazetted Officer/Notary public/Elected representatives to the Legislative Assembly/Parliament/Documents issued by any Govt. or Statutory Authority.
6. Identity card/document with address, issued by any of the following: Central/State Government and its Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, Public Financial Institutions, Colleges affiliated to Universities and Professional Bodies such as ICAI, ICWAI, ICSI, Bar Council etc., to their Members.

7. For FII/sub account, Power of Attorney given by FII/sub-account to the Custodians (which are duly notarized and/or apostilled or consularised) that gives the registered address should be taken.
8. The proof of address in the name of the spouse may be accepted.

Provided that in case of officially valid document furnished by the client does not contain updated address, the following documents shall be deemed to be officially valid documents for the limited purpose of proof of address:-

- (a) utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- (b) property or Municipal tax receipt;
- (c) pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- (d) letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;

Provided further that the client shall submit updated officially valid document with current address within a period of three months of submitting the above documents.

**D. In case of Non-Individuals, additional documents to be obtained from non-individuals, over & above the POI & POA, as mentioned below:**

Types of entity	Documentary requirements
Corporate	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Copy of latest share holding pattern including list of all those holding control, either directly or indirectly, in the company in terms of SEBI takeover Regulations, duly certified by the company secretary/Whole time director/MD (to be submitted every year).</li> <li>• Photograph, POI, POA, PAN and DIN numbers of whole time directors/two directors in charge of day to day</li> </ul>

	<p>operations.</p> <ul style="list-style-type: none"> <li>• Photograph, POI, POA, PAN of individual promoters holding control - either directly or indirectly.</li> <li>• Copies of the Memorandum and Articles of Association and certificate of incorporation.</li> <li>• Copy of the Board Resolution for investment in securities market.</li> <li>• Authorised signatories list with specimen signatures.</li> </ul>
Partnership firm	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Certificate of registration (for registered partnership firm only).</li> <li>• Copy of partnership deed.</li> <li>• Authorised signatories list with specimen signatures.</li> <li>• Photograph, POI, POA, PAN of Partners.</li> </ul>
Trust	<ul style="list-style-type: none"> <li>• Copy of the balance sheets for the last 2 financial years (to be submitted every year).</li> <li>• Certificate of registration (for registered trust only).</li> <li>• Copy of Trust deed.</li> <li>• List of trustees certified by managing trustees/CA.</li> <li>• Photograph, POI, POA, PAN of Trustees.</li> </ul>
HUF	<ul style="list-style-type: none"> <li>• PAN of HUF.</li> <li>• Deed of declaration of HUF/ List of coparceners.</li> <li>• Bank pass-book/bank statement in the name of HUF.</li> <li>• Photograph, POI, POA, PAN of Karta</li> </ul>
Unincorporated association or a body of individuals	<ul style="list-style-type: none"> <li>• Proof of Existence/Constitution document.</li> <li>• Resolution of the managing body &amp; Power of Attorney granted to transact business on its behalf.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>

Banks/Institutional Investors	<ul style="list-style-type: none"> <li>• Copy of the constitution/registration or annual report/balance sheet for the last 2 financial years.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
Foreign Institutional Investors (FII)	<ul style="list-style-type: none"> <li>• Copy of SEBI registration certificate.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
Army/ Government Bodies	<ul style="list-style-type: none"> <li>• Self-certification on letterhead.</li> <li>• Authorized signatories list with specimen signatures.</li> </ul>
Registered Society	<ul style="list-style-type: none"> <li>• Copy of Registration Certificate under Societies Registration Act.</li> <li>• List of Managing Committee members</li> <li>• Committee resolution for persons authorised to act as authorised signatories with specimen signatures.</li> <li>• True copy of Society Rules and Bye Laws certified by the Chairman/Secretary.</li> </ul>